

UN peacekeepers An army that has lost its way

Selling in Russia Western brands

FINANCIAL TIMES

Europe's Business Newspaper

S Africa nears breakthrough on poli stalemate

A breakthrough in South Africa's political crisis that would allow Zulu leader Chief Mangosuthu Buthelezi to take part in next week's all-reservables with elections appeared within reach. After talks with President F.W. de Klerk and African National Congress officials, Chief Buthelezi said he was confident of positive results when talks resume today. It is understood the proposed deal will involve the recall of the old white-dominated parliament to entrench the largely symbolic powers of Zulu King Goodwill Zwelithini in the interim constitution. Page 16

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Japan's trade surplus with Asia rises: Japan's trade surplus with Asia surpassed that with the US for the first time during the financial year ended last month, showing the shifts in trading patterns among high-growth countries of east Asia. Page 16

GEC Aisthom, Anglo-French engineering and transport group, clinched a \$2.1hn contract to supply locomotives and electrical equipment for South Korea's high speed railway. Page 16

Merrill Lynch maintains income: The upheaval in financial markets in recent weeks failed to dent the trading profits of US financial institutions Merrill Lynch and Chase Manhattan.



Brian Lara (left) scored the highest single-innings total in Test cricket, beating country-man Sir Gartield Sobers' 365 not out on the third day of the fifth Test against England at St John's, Antigua. Sobers was at the ground

West Indian batsman

to congratulate the 24-year-old left hander, who was dismissed for 375. The West Indies declared at 593-5. No half measures, Page 7 Watanabe wavers on leadership bid: Michio

Watanabe, faction chief in Japan's opposition Liberal Democratic party, voiced second thoughts over his campaign for the prime ministership. BAT Industries, tobacco and insurance group,

is considering raising its stake in FTC, its Indian affiliate, in a move which has raised protests at ITC. Page 17

has formulated a comprehensive package for negotiations with Syria on a withdrawal from the occupied Golan Heights which it wants US secretary of state Warren Christopher to deliver to Damascus later this month. Page 5 Chinese premier tours Central Asia: China's

prime minister Li Feng has begun a four-nation tour of Central Asia aimed at promoting Beijing's political and commercial interests in an unstable region on its troubled western frontier. Page 4 Japanese developer in link with Branson: Richard Branson's Virgin Group is exploring

with Japanese partners the possibility of launching an international trade centre in the heart of London near the House of Commons. Page 7 Australian coal strike: Australian coal miners are to stage a 48-hour strike from today in protest

at the contract prices for steaming coal agreed between the country's coal companies and Japanese power industry buyers. Page 4 UK companies hope for end to trade ban: British defence companies hoping to win contracts

in Malaysia say they are hopeful a Malaysian ban on doing business with companies from Britain London seeks role as arbiter: A City body to settle disputes among banks, brokers and large companies over financial transactions was launched in an attempt to establish London as a world

centre for financial services arbitration. Page 7 UN payroll stolen: A safe containing \$3.9m, the payroll for UN personnel in Somalia, disap-peared from an unguarded office in the UN compound in the capital Mogadishu.

A photograph of Sir Peter Levene, UK government's efficiency adviser, was published in yesterday's summary with an item about Pedro Solbes, Spanish economy and finance minister. We apologise

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Flawed research Why Japan's drug groups need better R&D



Quarter-point increase aimed at curbing inflation hits bonds and equities US rate rise surprises markets

Washington and

Mr Alan Greenspan, chairman of the US Federal Reserve, surprised financial markets yesterday by signalling another rise in short-term interest rates in an effort to prevent rapid economic growth fuelling inflation.

The quarter-point increase in short-term rates to 3.75 per cent prompted sharp falls in bond and share prices. By early afternoon, the benchmark long bond had plunged 1.5 points, pushing the yield to 7.42 per cent.

Share prices followed the pattern set by bonds, as they have in the wake of previous rate rises. By early afternoon, the Dow Jones Industrial average was off 35 points at 3,611.5, after working back from a 45-point decline in

mid-morning.
The rate increase, the third since the Fed began to tighten monetary policy on February 4, came sooner than expected. On Wall Street, most analysts had been confident the Fed would not move again until May 17 when its

■ Greenspan's strategy Page 3 Editorial Comment Page 15 Page 16 Government bonds Page 22 ■ London stock market Page 31 ■ World stock markets Page 42

policy-making open market committee is due to meet. Mr Greenspan, however, may

have decided to take advantage of political cover extended by Mr Lloyd Bentsen, Treasury secretary, who said at the weekend he expected short-term rates to rise by another half-point before the end of the year. Senior Clinton administration officials believe there is little or no risk of a significant increase in inflation but, so far, have opted not to force an overt confrontation with the Fed. Ms Laura Tyson, chief White House economist, yesterday reiterated her support for Fed inde-

pendence but argued that

short-term rates were rising in

response to faster economic

30 yr leng bond

US interest rates

The Fed believes rate increases are necessary to re-establish a "neutral" monetary policy after a period of deliberate stimulus during the credit crunch of the early

Yesterday's move reflected continuing concern at the Fed that the economy is expanding at a rate well in excess of its long-run potential rate of growth. Recent figures have pointed to economic growth at an annual rate of 4-5 per cent in the current quarter, if not higher. If growth is not checked, officials fear the economy could hit capacity con-

3.700 3.660

straints, putting upward pressure on inflation.

The quarter-point increase in rates, although intended to bolster the Fed's anti-inflation credentials, was seen as only an interim measure. Most analysts expect the Fed to raise rates by another quarter-point at the May 17 open market committee meeting. Further rate increases are likely during the summer if economic growth shows no signs of

"The bond market is facing a black hole," said Mr Robert Giordano, chief economist at Gold-

man Sachs in New York. He said bond prices would stabilise only if there was clear evidence of an economic slowdown or if short rates were significantly higher. Neither was likely in the next

two to three months. European government bond markets also tumbled in the wake of the rate rise, with bond futures prices dropping between 1 and 2 points on the day.

The markets had opened in a sombre mood, digesting the small, rather disappointing cut in German interest rates from last

While the Bundesbank's cut had prompted rate easings from many of the other European central banks last Thursday, European markets were disappointed when the Bank of France left its key interest rates unchanged yes-

However, the dollar rose more than a plennig on the Fed announcement to a high of DM1.7220, but then fell back slightly to close in London at DM1.7202. Against the yen it was slightly weaker at Y108.625 from Y103.645 at Friday's close.

Kidder fires top trader over fake profits

By Patrick Harverson in New York

Kidder Peabody, the US investment bank, has fired its chief government bond trader -a man who was paid \$9m in sal-ary and bonuses in 1993 - for fabricating \$350m in trading

profits over the past year.
It was still unclear yesterday whether Mr Joseph Jett had fabricated the trades in an attempt to cover up losses incurred elsewhere, or whether the scheme was designed primarily to boost his own pay packet, the size of which is closely tied to the profits he generates as a trader. Mr Jett, 36, had worked at Kid-

der for almost three years. Six other employees were placed on special assignment pending an investigation into what Kidder said was a scheme to create phantom trades and profits in the trading of government bond "strips". Strips are widely traded financial instruments that represent the interest payments accumulated over the life of a bond.

General Electric, Kidder's corporate parent, will today report an after-tax charge of \$210m against its first-quarter earnings to cover the \$350m in non-existent profits.

Kidder was quick to point out that none of its customers wa affected by the scheme, which will leave the firm nursing a loss of about \$140m for the first quar-

with astonishment on Wall Street, where the GE share price was \$1% lower at \$95% in heavy

official, said yesterday: "We believe that this was essentially an individual action, by someon on his own who came up with a very sophisticated scheme which our normal systems operations and audit procedures would not have caught.

According to sources close to the firm, the complex scheme involved Mr Jett entering into millions of dollars of "forward" contracts that would allow him

> Continued on Page 16 Background, Page 17

growth rather than expectations of higher inflation. Serbs set terms for partition of Gorazde EU calls for united diplomatic front West strives for

credibility after Bosnia debacle

By Laura Silber in Belgrade, Lionel Barber in Luxembourg

Foreign ministers of the umon pledged to restore the west's shattered credibility over Bosnia as the Serbs consolidated their newly established position in the enclave of Gorazde.

The UK and France pressed for a streamlined approach which would pull together the US, Russian, UN, and European peace efforts in Bosnia. It was aimed at avoiding fresh tensions between Europe and the US over Bosnia, while preventing Russia siding more closely with the Serbs.

In Washington, President Bill Clinton insisted a negotiated set-tlement was still possible. "I do think the big things are still working in the long term in favour of peace," he told reporters, while acknowledging that recent news from Gorazde was "grim and disappointing".

The Bosnian Serbs yesterday put forward their terms for the effective partition of Gorazde as General Sir Michael Rose, UN mander in Bosnia, warned of a "major humanitarian catastro-phe" for tens of thousands of

Moslems trapped in the enclave. The Serbs reiterated promises, first voiced on Sunday night, to keep their guns out of a 3km zone on the west bank of the river Drina which runs through Gorazde. However, this would M Serbs rob west of Russian. Page 2

only formalise the existing situa-

deployment of 300 UN soldiers in the exclusion zone, effectively leaving the eastern part of Corazde under Serb control. "We will make a Serbian municipality on the east bank of the Drina. We can discuss the fate of the other part of the city in peace talks later," said Mr Radovan Karad-

zic, Bosnian Serb leader. In Luxembourg, EU foreign ministers yesterday tried to sal-vage something from the wreckage of western policy toward Bosnia with an Anglo-French appeal for a united diplomatic front to halt further Serb territorial

Financial incentives could be offered for the reconstruction of former Yugoslavia, including the possibility of progressively lifting UN sanctions against Serbia.

Several European delegations expressed frustration that the US was holding back funding to the United Nations, hampering efforts to provide extra forces for UN peacekeeping in Bosnia. Mr Warren Christopher, US secretary of state, said the Serbs had engaged in "a tangle of lies and misleading statements that have



Tears for Gorazde: members of a 3,000 strong crowd in Sarajevo show their sadness during a

seldom been equaled", breaking commitments to both the US and

Sounding tougher than Mr Clinton, he said all US options were now under "urgent review," though he disclosed none of

The EU initiative came amid signs of Russian exasperation with the Serbs. Mr Vitaly Chur-kin, the Russian peace envoy, lashed out at the Bosnian Serbs for breaking their promises to him. "A group of Bosnian Serb extremists have fallen ill with the madness of war," he said. In an emotional outburst, he

nonstration aimed at showing solidarity with the people of Gorazde

suggested severing contacts with Mr Karadzic.

Deutsche Bank criticised for withholding Schneider facts

By David Waller in Frankfurt

The Frankfurt city prosecutors' office yesterday criticised Deutsche Bank, the biggest creditor to the Schneider property group which collapsed last Friday with debts of more than DM5bn (\$2.9bn), for holding back infor-

Mr Job Tilmann, a senior prosecutor for the city of Frankfurt, said the prosecutors' office was "surprised and displeased" by the way the bank had withheld important facts from the office when the bank launched its fraud claim against the missing Mr Jurgen Schneider, founder of the property group.

Mr Tilmann said that when Deutsche lodged its claim last week, alleging that Mr Schneider had made a fraudulent loan application to finance the development of the Zeilgalerie shopping centre in Frankfurt, the bank had not mentioned that it had known about Mr Schneider's disappearance on April 7. This was four days before the group's problems were made public.

The bank had also kept silent about access it had to documents at the property group's Königstein headquarters over the four day period, Mr Tilmann said. He said that while the bank's silence had been "idiosyncratic" it was not conduct which called

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for prosecution. The implication, strenuously denied by Deutsche, is that the delay may have impeded the city prosecutors' case against Mr Schneider. Deutsche said that when it filed its suit against Mr Schneider it offered to clarify the situation in talks with the prosecutors' office. Separately yesterday, Mr Otto Lambsdorff, the influential eco-

nomics spokesman of the Free Democratic party, junior partner in the ruling coalition, said in a radio interview that the affair was a "huge disgrace for German

Continued on Page 16 The Treuhand summons Schneider, Page 18

Now we are 4. Even More Happy Returns (we hope). CINVen announces that it is now making

venture capital investments for Royal Insurance Asset Management, who joins its existing clients: British Coal, British Rail and Barclays Bank Pension Funds.

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looks to centre for support

By Robert Graham in Rome

Italy's right-wing Freedom Alliance, victorious in last month's general election, has turned to the centre parties to broaden its parliamentary support and widen the choice in

The outcome of these talks, which began last weekend, will determine the complexion of the next government and the fate of the two small centre parties. Initial reactions suggest the centre is deeply divided on the issue; there are also reservations about the move within the Freedom Alli-

The charm offensive is being conducted by Mr Silvio Berlusconi, the media magnate and likely next prime minister. It is being directed at the Popular party (PPI), formed in January from the mainstream of the former Christian Democrats, and the Pact for Italy of reformist Mr Mario Segni, who is also an ex-Christian Demo-

These two parties were the chief victims of the new firstpast-the-post voting system in the election. They were zed between the Freedom Alliance on their right and the Progressive Alliance, headed by the former communist Party of the Democratic Left (PDS), on the left.

Mr Berlusconi's offer is based on three considerations. He is mainly concerned to ensure the stability of his pro-spective government by having a clear majority in the senat At present the Freedom Alli-ance – composed of Mr Berlus-coni's Forza Italia, the populist Northern League, the neo-fascist MSI/National Alliance and the Christian Democrat Centre - is at least six seats short of a

Since both houses perform duplicate functions, a Freedom Alliance government perma-nently risks legislation not passing through the senate. This situation was underlined by the tense vote electing Mr Carlo Scognamiglio as speaker. He won on Saturday by one vote on the fourth round against Mr Giovanni Spadolini,

the outgoing speaker.

A second consideration is Mr Berlusconi's desire to pull his government more towards the centre and so soften the impact of having the MSI on board. His original overtures, even before he formally entered politics in January, were towards the Christian Democrats and

Mr Segni.
Only after both rejected him did he force deals first with Mr Umberto Bossi's League and then with Mr Gianfranco Fini's MSL He was also able to pick up the small right wing of the Christian Democrats who reformed into the Christian Democrat Centre.

Linked to this opening to the

centre is a desire to balance the unpredictable presence of the League. From previous experience, Mr Bossi is likely to use the threat of withdrawing his support as a way to increase political leverage. The final reason is to expand the reservoir of people on whom Mr Berlusconi can draw

Berlusconi Serbs rob west of Russian prize

John Lloyd on Bosnia setback to hopes of Partnership for Peace

here is no constituency of any weight in Russia which would agree that Serbs should be punished militarily for their aggression in Bosnia. If the west agrees further use of force there, it will lose Russia.

The west wants to draw Russia into a broad security alliance, through the initial medium of the Nato-inspired Partnership for Peace: and it is this desire which the Russians are using as a bargaining card in Bosnia

Mr Vitaly Churkin, the special envoy to former Yugoslavia, said in a radio interview earlier this month that the choice before Russia was whether to continue partnership and co-operation with the European countries and the US, "or whether we need to to retire into ourselves and somehow gather the Commonwealth of Independent States chicks and in this self-imposed isolation attempt to work out

But that was before the Nato bombardment a week ago of Serb armour around Sarajevo without consultation with the Russians. Immediately after that President Boris Veltsin was unswervingly against force. "It would mean war forever," he warned, adding that the Partnership for Peace was no longer a priority issue because of the lack of consulta-

foreign minister, despatched at the weekend to try to broker



"Shush! I've got Clinton on the line." An example of "Russia using its influence with a friend" seen through the baleful gaze of the French dally Le Monde at the weekend

back on Sunday saying Russia would not sign the Partnership unless its scope was considera-bly extended. General Pavel Grachev, the defence minister and another former enthusiast for the Partnership, also pulled away, saying of Nato: "I don't like it when people tell me one thing and then do another. It

seems we have to think again." Mr Kozyrev should have gone to Brussels this week to sign up for the Partnership deal but called off his visit. He has since said Russia wants something broader than a planned framework agreement that would allow it to have notice of "unilateral actions" by its former enemy.

"The problem that ... there should be close co-ordination and we become

television interview yesterday. "People take signing of those three pages (framework agreeit is at best a date. We want real marriage and

we stick to this," he added.

In the state duma (lower house of parliament) yesterday Mr Sergel Yuzhenkov, chair-man of the House defence com-mittee (and himself a member of the liberal Russia's Choice party) struggled to keep the possibility of signing the Partnership alive.

However, even he said it was impossible without a series of conditions, including a recognition of Russia's special status (though this could be done after Russia joined the Partnership), an agreement not to use force in Bosnia and a commitment from Nato that Russia

"It would be a courageous move by the president and General Grachev to say again, that they support the Partner-ship for Peace and that they intend to join it, no matter what happens in the former Yugoslavia," said Mr Yuzhen-kov yesterday. However he admits that this

is unlikely, though he insists that the basic calculations in the foreign and defence ministries remain unchanged. "They do not want for Russia to again be isolated," he said. Both Mr Kozyrev and Mr

Churkin yesterday voiced extreme displeasure at the Bos-nian Serb forces, both with their actions in Gorazde and with their attacks on Russian peace keepers around Sarajevo. However, both are now pressSerbs lifting their siege and getting down to talks again. To the west, this may seem

like aggression rewarded: to the Rassians, with their quite different view of the Serbs, it is lifting the pressure to encourage reasonable behaviour. Russia is again emerging as a geo-political player after

nearly two years of restrained diplomacy and adopting the posture of agreeing with the US on most matters. It has now. fully emerged as the leader of the CIS, some half of which states have already indicated they wish to join the Partnership - another reason for Rus-sia to want to do so.

If Russia succeeds in reaching a working relationship with Nato, it will do so only by curbing what it sees as the latter's excesses and by gaining recognition of its special status within the CIS – both of which could be hard for the western wollews at setets

The internal resistance within Russia to close co-operation with the west has risen, and remains high: par-ties such as the extremist Mr Vladimir Zhirinovsky's Liberal Democrats, the Communists and many of the so-called centrists are hostile, or at best sceptical, making the passage of Russia's accession to the Partnership through parlia-ment far from automatic.

If it is agreed, continuing hostility - the legacy of centu-ries of relative isolation - will make it an awkward and capriwith Russia is the prize and for that, sacrifices in Bosnia

Move to open rail networks

European Union transport ministers yesterday opted to do more to open up Europe's national railway monopolies, and put in place later this year further measures to encourage independent and cross-border rail operators. Ministers gave an mittal green light to two Commission proposals designed to build on the seminal 1991 decision to open up Europe's frag-manted rail network to private and transnational train ser-

That gave joint ventures between companies of more than one mamber state access to all EU rail networks headed to provide the service, and the right to the entire EU network to companies operating "combined transport" freight services shifting cargo through a combination of rall and road.

Fifteen months after the start-up of the single market, however, the 1991 legislative breakthrough has had no practical result. Brussels has therefore come forward with two supplementary laws on access and charging for companies that want to take up their right to use rail infrastructure. The national monopolies have to account separately for infrastructure and operating costs, in order to be able to set charges for new entrants using state-owned networks. The 12 will now work to systematise this, and to agree on a common licensing system, whereby a licence to operate granted by one member state is valid throughout the EU. David Gardner,

Netherlands coalition at risk

The Netherlands' ruling coalition of Christian Democrats (CDA) and Labour looks set to lose its majority in parliament in the national elections on May 3, according to an opinion poll released yesterday. The coalition, currently led by Prime Minister Rund Lubbers, won 103 seats in the 1989 election, but the poll predicts it will muster only 61 seats in the 150-seaf lower house of parliament in May.

The CDA has been hit by Mr Lubbers' impending departure from politics, and its share of the voice is forecast to plummet to 28 seats from 54 in 1989. Labour is expected to win 33 seats, down from 49 but better than earlier forecasts of 25 seats.

The poll conducted by the Nino politing comment shows (CDA) and Labour looks set to lose its majority in parliament

The poll, conducted by the Nipo polling company, shows that the next coalition would have to consist of at least three parties to rule effectively. Ronald van de Krol, Amsterdam.

Warning on Russian N-plants

Russia does not have the technical or financial capacity to process the nuclear waste produced by its 15 Chernobyl style reactors, a senior nuclear industry official said yesterday. "Due to the present economic crisis, this problem can't be solved as quickly as it should be," said Mr Yuri Yishmevsky, president of the state committee for the supervision of nuclear

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Mr Viktor Gubanov, head of the committee for safety and ecology at the ministry for atomic energy, said Russia was finalising a federal programme to process nuclear waste but cash shortages could prevent the programme being implemented in full. Mr Gubanov said the ministry was ready to pay Rbs520m towards the project but it would actually cost five or six times that. Reuter, St Petersburg.

Italian petrol strike starts

Italy's road transport is expected to suffer serious disruptions from a three-day strike by petrol station operators. The strike, which began at 7pm yesterdayand is due to end at 7am on Friday is the product of a long-running dispute between petrol station operators and the oil companies. The operators claim they are inadequately protected against price changes, but the oil companies claim the strike is a disguised protect against efforts to liberalise operating hours and operating conditions. The strike also reflects the problems petrol stations operators foresee in dealing with full price liberalisation and the introduction of discount within 10 May Strikes within the process. duction of discount pricing in May Strikes which inconve-nience the public and cause economic loss are likely to come under scrutiny by the new right-wing government pledged to greater liberalisation. Robert Graham, Rome.

Greek doctors begin stoppage

Greek doctors began a usticawide live day strike yesterday in system which tells them how much they earn and how much tax they should pay. They say that the system is harsh on doctors earning less than the set level and soft on those earning more. Doctors claim that the new system may lead to many giving up the profession. Lawyers have been striking for the same reason for seven weeks, leading to postponement of 60,000 court cases. Dentists plan a one-day strike tomorrow, and truckers have announced an indefinite strike. Parliament is to start debating the new tax system today and may vote by the end of the week. Associated Press, Athens.

EU to pay for cremation probe A Netherlands crematorium has been chosen to co-ordinate an EU-subsidised investigation into the environmental effects of cremation. Ms. Romea Fenster, head of Amsterdam's Westgaarde burial ground and crematorium, said that the study

will focus on the impact of strewing askes and of gases released during cremation. The European Union is providing half the project's Ecu350,000 (£269,000) cost. The study, by crematoria in the Netherlands and italy, may lead to EU guidelines, Ms Fenster said. "We should be thinking about it now or it could become a problem," she said. Nearly half the Dutch dead are cremated, compared with about 70 per cent of

ECONOMIC WATCH:

Construction equipment dip Sales of construction West Europe

unit sales (1000s)

gest market: Germany, The forecast, from the London based Corporate Intelligence Group, provides a gloomy backdrop to Intermat, the construction equipment exhibition, which opens today in Paris. The research group.

says unit sales of equipment fell last year for the third 98,669 in 1992, and predicts they will decline to 83,177-feeth year. Post reunification Germany accounted for 46 per cent of European sales last year, compared with just 18 per cent in 1989. This rise was fuelled by the building boom and densard. for equipment in eastern Germany, but the peak passed in 1992. Overall German sales fell 12 per cent last year, and another 15 per cent fall is expected this year before stabilising

in 1985. Andrew Baxter, London

Poland's first-quarter industrial output grew by 10.5 per cent year-on-year, the central statistical office said. This is almost double the 5.6 per cent for the whole of 1993.

Capital flows into the Czech Republic rose 37 per cent in

E Portugal's industrial production index fell 1.3 per cent in December after rising 5.5 per cent in November, the national

in January from NKr3.39bn (£310m) a year earlier, according to the central bureau of statistics.

EU tries to patch up its Bosnia policy

The European Union tried to pick up the pieces of its Bosnia policy yester-day with an Anglo-French appeal for a new united diplomatic front against

The initiative aims to co-ordinate US, Russian, European and United Nations efforts to achieve a peace settlement in Bosnia after the humiliating weekend reversal in the Moslem enclave of

EU foreign ministers discussed the proposal at a meeting in Luxembourg yesterday, amid much hand-wringing

UN-protected safe area. However, there were signs of reservations within the Clinton administration about the wisdom of streamlining western and Russian diplomatic efforts through a new UN Security Council

Mr Douglas Hurd, UK foreign secretary, failed to persuade Mr Warren Christopher, US secretary of state, to agree to the plan during a telepho conversation yesterday, though he said Mr Christopher supported the principle of streamlined diplomacy. Mr Hurd, who described the Serb

back", said it made no sense to have three separate diplomatic efforts. Mr Alain Juppé, French foreign minister, said the separate European, Russian and US diplomatic tracks had made it easier for the Bosnian Serbs to play a 'double game"

Despite evidence of disarray in UN and Nato policy toward Bosnia, Mr Hurd said ministers were not inclined

He pointed to recent "successes" such as the ceasefire in Sarajevo, the takeover of Tuzia airport, and the relief mission in Vitez. Ministers agreed that it would be wrong to withdraw UN forces at this

so that Bosnian Moslems could defend themselves. It was not possible to impose a solution by force, Mr Hurd insisted.

declaration calling for a ceasefire in Gorazde, to be followed up with deployment of extra UN forces in Bosnia. Britain was prepared to contribute, while not increasing its present contingent in former Yugoslavia. The aim would be to achieve a gen-

eral ceasefire, compled with a stepped-up effort to achieve a territo-rial settlement between Bosnian Mos-

Strauss's ghost returns to haunt Bavaria

proud and prosperous Free State of Bavaria, once a byword for the post-war success story of the German federal republic.

The reputation of the late Mr Franz Josef Strauss - political godfather of the southern German state, several times pre-mier in Munich, unsuccessful candidate for federal chancellor and formerly both finance and defence minister in Bonn is under attack as never before. It is not so much his political stance as Germany's most articulate and controversial post-war conservative which is under fire, but his links with

wealthy Bavarian entrepre- Mr Clean, presiding over a ecution against Mr Zwick - for waiting with bated breath to neurs. Now his successors at regime free of the whitt of cor- alleged tax evasion totalling see if he will provide more evi-Christian Social Union in Bayaria, sister party of Chancellor Helmut Kohl's Christian Democratic Union in the rest of the country, are fighting a rearguard action to save their absolute majority in the state parliament, their seats in the European parliament, and ulti-mately their place in the Bonn

Latest in the firing line is Mr Edmund Stoiber, current Bavarian premier, CSU strong man and formerly chief personal aide and minister of state in Mr Strauss's chancellery. The irony is that he has sought to present himself as

panied the rule of the flambovant Mr Strauss, who died in office in 1988. Yet the "back to basics" moral crusade he has launched now threatens his own position.

Mr Stoiber was last week forced to release a formal gov-ernment statement on a welter of accusations from the press and opposition Social Democrats about alleged wrongful intervention by Mr Strauss in the tax affairs of Mr Eduard Zwick, a multi-millionaire businessman and close friend now living in Switzerland. Mr Strauss is alleged to have sought to have either the prosquashed, or a compromise negotiated allowing him to return to the country. Although Mr Stolber, who

was finance minister under Mr Strauss, has denied any per-sonal involvement in the Zwick saga, both Spiegel maga-zine and the Süddeutsche Zeitung in Munich have published detailed allegations suggesting they were involved. This week Mr Zwick's son,

Johannes, who has been held on remand since January. accused of involvement in the tax evasion, is due to give evidence before a parliamentary inquiry in Munich. Bavaria is

hitter claims - in an interview with Spiegel - about the close financial ties he had with both Mr Strauss and the CSU. Already, however, the sage

has taken its toll of the political fortunes of Mr Stoiber and the CSU. The former is now trailing his SPD rival in Bav-aria, Ms Renate Schmidt, by 47 per cent to 41 per cent, in a popularity poil published by Spiegel. As for their parties, the CSU is still in front with 43 per cent, but the SPD (with 36) could possibly form a govern-ing coalition with the Greens (8 per cent) if the figures hold

But, in one of the dozens of

seminars and presentations over the past four days, the

Institute of International

Finance (IIF), the banking fra-

ternity's own think-tank.

revealed with brutal clarity the

cost of Russia's past policy

errors.
The UF calculates that Rus-

sia exported oil, gas and other

products worth \$90bn over the

past three years. But \$40bn was never repatriated, largely

interests rates, failure to con-

trol inflation and the same

lack of a proper legal frame-

work for business and investment which deters foreign

Quiet revolution pays dividends for EBRD

excuse me," murmured Mr Jacques de Larosière as he jumped underlined the change of style at the bank since the ousting the milling queue of bankers. consultants and lawyers forced by the rigidity of Soviet-transmosecurity men to wait outside St.
Petersburg's Manezh palace on
The former managing directions of the control of the control

This quiet apology from the courtly president of the Euro-pean bank for Reconstruction and Development on his way to an official reception neatly

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DENMARK Feancial Times (Scandingvia) Ltd., Vannel-

Anthony Robinson reports from the bank's annual meeting in St Petersburg

tor of the IMF and chairman of the Bank of France, yesterday pleased shareholder govern-ments at the bank's annual meeting by unveiling a more pragmatic approach to its activities and promising closer co-operation with other investors and international financial institutions. He also pleased the bank's east European chients by promising to increase the EBRD's presence on the ground in post-communist Europe and the central Asian

"It's a leaner, more hard driving organisation," commented Mr Laurence Summers, the US representative, who added he was now more confident the US Congress would be more amenable to approving Washington's \$73m contribution to the bank's capital.

Speaking in the historic Tauvrichisky palace, which housed pre-revolutionary Russia's parliament before being turned over to Lenin's Petrograd Soviet. Mr de Larosière outlined a more clearly focused strategy for assisting the region's fledgling private banks and businessmen and raising the bank's leverage

Western bankers and economic policymakers yesterday used the relaunch of the European Bank for Reconstruction and Development to reinforce the Russian leadership's commitment to the structural reform needed to underpin moves towards a market economy and improve access to foreign finance, write Anthony Robinson, Leyla Bolton, and Chrystia

Freeland in St Petersburg.
Citing the example of "fast-track" Central European countries like Poland and the Czech Republic, Mrs Anne Wibble, chairwoman of the bank's governors, warned that gradualism would not ease the pain of transition but lead to a "vicious circle of prolonged high inflation, capital flight and economic stagnation with high social costs".

A similar message was relayed by G7 deputies at an earlier closed session meeting with Mr

who was encouraged to continue the tight monetary policies inherited from Mr Boris Fyodorov, the ousted finance minister, and create a more welcoming legal and fiscal environment for foreign investors. In his opening speech at the EBRD conference

Mr Chernomyrdin said "Russia's commitment to reform and structural adjustments remains the linchpin of Russian economic policy". But he called on the EBRD and other western institutions to co-ordinate their efforts and proposed a specialised international agency to insure investment projects in Russia against non-commercial risk. He warned that without new production from new factories built with the aid of foreign investment, reforms would be vulnerable to a reaction against the social costs caused by the collapse in production from the old centralised economy. He also asked for better access to foreign markets.

To date, the bank's financial commitment of \$3.7bn to 156 projects has attracted co-financing which pushes the total value of EBRD-linked projects to \$11.7bn. This is around 15 per cent of foreign direct investment in the region, he

added_ The symbolic decision to hold the bank's third annual meeting in the former Russian capital, built by Peter the Great as Russia's "window on the west", was pushed through at Mr Attali's insistence two years ago. That decision has been vindicated. Apart from attracting potential investors it justified a meeting between ministers from the Group of Russia's most jealously a month, he added.

Victor Chernomyrdin, Russia's prime minister Seven leading industrial countries and top Russian economic decision makers which provided an opportunity to focus on Russia's problems and opportunities.

At their meeting with Mr Victor Chernomyrdin, the Russian prime minister, the G7 leaders emphasised the virtues of currency stability, the key role of positive real interest rates and the need for the Russian authorities to convince potential foreign investors that they were really wanted.

Above all, the G7 sought to impress upon Mr Chernomyr-

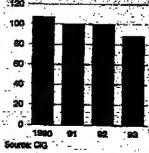
din, the former "Czar" of the

guarded economic "crown jewel", that western investors would seriously invest in energy projects only if they were allowed to take equity stakes and a satisfactory degree of managerial control. Yesterday, Mr Chernomyrdin acknowledged that "not all

Russian enterprises welcome foreign investment" and prom-ised his government would "do all it can to bolster the psychological aspects of foreign investment". It would also contique the tighter money poli-cles introduced by Mr Boris Fyodorov, the former finance minister, which had reduced Gazprom gas utility that is inflation to around 10 per cent

investors. This capital flight is virtually identical to the inflows of foreign, mainly governmental and institutional, money. which has flowed into Russia over the same period. The out-flow means Russia has had vir-tually no practical benefit from western financial assistance.

But it also shows the potential role which Russian capital, however dubious its origins and legal ownership, can play in reconstructing the Russian economy, provided Moscow adopts the policies and creates the institutions which have already proved successful in central Europe, and which have been pressed on Moscow with such insistence at the EBRD conference.



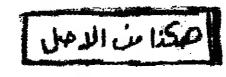
equipment in Europe fell by 11 per cent last year - the biggest annual fall for more than a decade - and could

drop a further 5 per cent this

year because of a sharp decline in demand in the big-

1993 from a year earlier to nearly \$2.9bn, according to the Czech national bank

statistics institute said yesterday. Norway's current account surplus rose to NKr4.24hm (£387m)



By Michael Prowse in Washington When a senior politician gives you cover, use it. That seems to be the motivation for the unexpected quarter point increase in short-term rates signalled by Mr Alan Greenspan, the Federal Reserve chairman, yesterday. The Fed's move followed tacit approval by the Clinton administration at the weekend of a further tightening of monetary policy. Mr Lloyd Bentsen, Treasury secretary, said he restriction of further with the control of the process of the commodity prices, even translating into brupward pressure on whe and consumer price inflationary secretary, said he writing of further with the californian earthqual to slow growth, the eco will hit capacity constitutes and consumer price inflationary sures, already visible in Commodity prices, even translating into brupward pressure on whe are the californian earthqual and the commodity prices even translating into brupward pressure on whe are the californian earthqual and the commodity prices even translating into brupward pressure on whe are the californian earthqual and the commodity prices even translating into brupward pressure on whe are the californian earthqual and the commodity prices even translating into brupward pressure on whe are the californian earthqual and the commodity prices even translating into brupward pressure on whe are the californian earthqual and the commodity prices even translating into brupward pressure on whe are the californian earthqual and the commodity prices even translating into brupward pressure on whe are the californian earthqual and the commodity prices even translating into brupward pressure on whe are the californian earthqual and the commodity prices even translating into brupward pressure on whe are the californian earthqual and the californian earthqual and the commodity prices even the californian earthqual and the commodity prices even the californian earthqual and the californian earthqu

etary policy. Mr Lloyd Bentsen, Treasury secretary, said he expected short-term rates to rise another half point, to 4 per cent, by the end of the year. His remarks make it virtually certain that rates will rise at least that much, probably by

allition at his

Mr Greenspan was doubtless also keen to respond to stronger-than-expected economic data in recent weeks. Adjusted for the effects of severe winter weather, recent figures indicate the pace of economic growth slowed little, if at all, in the first quarter from the unsustainable rate of about 5 per cent registered in the sec-

ond half of last year. In the first quarter, industrial production grew at an annual rate of 7.7 per cent compared with 6.7 per cent in last year's final quarter. The pace of vehicle sales was stronger than at the end of last year and consumer confidence was significantly higher. The main factor pulling down overail growth was a sharp fall in construction, which reflected factors such as bad weather and

the Californian earthquake. The view at the Fed is that unless further steps are taken to slow growth, the economy will hit capacity constraints later this year. Yesterday's move was thus intended to help prevent inflationary pressures, already visible in rising commodity prices, eventually translating into broader upward pressure on wholesale and consumer price inflation. But although long bond

yields have risen steeply in anticipation of further rate increases, few analysts expected another rate increase so soon. Because the previous two increases had been announced after meetings of the policy-making Federal Open Market Committee, most were convinced the Fed would not move again until a meeting scheduled for May 17. Fed officials fuelled such speculation by indicating another increase in rates was unlikely while markets remained in turmoil.

However, by moving yester-day, after a conference call with the Fed's regional presidents, Mr Greenspan was able to quash rumours that his own authority within the Fed had been eroded. Some US commentators had speculated that the FOMC was no longer giving the chairman his customary discretion to raise or lower rates between meetings, if economic conditions seemed to warrant action.

The increase in short rates to



Greenspan: quashed rumours that his authority had been eroded

3.75 per cent takes the Fed closer to its goal of re-estab-lishing a "neutral" monetary policy. But it has clearly not reached its destination. Yesterday most analysts were betting that the Fed would raise rates by another quarter point at the May 17 meeting. A further quarter or half point increase is then probable in ensuing weeks, taking short rates to about 4.5 per cent by mid-year.

What happens thereafter will nomic growth and inflation trends. Many analysts expect the rate of growth to decline from 4-5 per cent at an annual rate now to about 3 per cent towards the end of this year, partly as a result of the increase in short and long-term rates that has already occurred. The rise in mortgage rates, for example, is likely to damp down the housing mar-

Monetarist-leaning econo-

mists, such as Mr Mickey Levy at NationsBank in New York, also point out that increases in short rates have already sharply reduced the rate of growth of bank reserves and other narrow monetary aggregates. They expect this to result in slower growth of nominal spending later this year. Taking all these factors into consideration, optimists believe the Fed might not need to raise rates much beyond 4.5

History, however, suggests that business cycle unswings are quite hard to control once they gain momentum. Later this year the US could begin to get a boost from economic recovery in Europe and other trading partners. The Fed may thus face irresistible pressure to raise short-term rates to 5 per cent or higher - well above the levels so far sanctioned by senior Clinton administration

Fears that Brazil debt deal may fail to end uncertainty

steering committee of banks which on Friday completed the restructuring of Brazil's \$49bn ((33.5bn) of commercial debt, is fond of the saying "many a slip 'twist cup and lip" to refer to the unpredict-

ability of debt deals. He and Mr Pedro Malan, the Brazilian central bank governor, were at last able to toast the deal after a rush to meet the deadline of Friday midnight in New York. But both men may have wondered, after more than a decade of uncertainty about Brazil's debt, whether the slips were really

Legally, the restructuring is finished and most participants probably hope its long and at times acrimonious negotiations

can be forgotten.
The deal will help restore Brazil's standing with the international financial community. However, the country's political and economic uncertainty probably prevents the type of sudden rush of confidence seen after other Latin American deals.

But there are two problems. First, the Dart family of the US, who hold about \$1.4bn of debt, refused to take part in the restructuring and may try to challenge it through legal action. Secondly, Brazil holds presidential elections in October and the front-runner in the polls, the left wing Mr Luiz Inácio Lula da Silva, leads a party committed to seeking better terms from its bank creditors.

"Completion is a cause for

good deal of celebration, but some trepidation also," a Brazilian banker remarked. The restructuring agreed on

r William Rhodes. Friday was the longest in the chairman of the 14 years of the debt crisis with r William Rhodes. Friday was the longest in the Mexico led the way, followed negotiations beginning in October 1990.

The deal was also the most complicated of the "Brady" restructurings - named after the 1989 initiative by then L'S Treasury secretary Nicholas Brady - since it offered creditors a complicated package of six options. These involved a range of securities and interest rates and rescheduled debt principal for up to 30 years. Under the deal agreed on Fri-

day, Brazil issued \$7.3bn of collateralised discount bonds;

bonds; \$8.5bn in debt conversion bonds; \$2.1bn of new

money bonds; \$1.7bn in inter-

est reduction bonds: \$7.3bn of

interest reduction bonds with

capitalisation; and \$5.6bn of

A further \$2.1bn will be con-

verted into discount and par

bonds once collateral is deliv-

ered in the next two years.

Brazil delivered \$2.8bn of the

\$4.6bn due as collateral on Fri-

day and drew down \$353m

under the new money option.

The central bank estimated the

agreement would reduce by

\$4bn Brazil's external debt. It

will also lead to further

savings of \$4bn in reduced debt

four Latin American debtors to

secure a Brady restructuring.

Brazil is the last of the big

servicing costs.

past due interest bonds.

Angus Foster and Stephen

Fidler wonder if the slips

after years of uncertainty

'twixt cup and lip are over

by Venezuela and Argentina. Brazil's deal broke new ground because interest arrears of some \$17bn were negotiated separately and before the restructuring of some \$31bn of principal debt.

It was also the first debt agreement to be concluded without an accord in place with the International Monetary Fund, although Nigeria completed a deal while out of compliance with the targets of its Fund programme, Brazil failed to win an IMF accord last month, mainly because the \$8.4bn of collateralised par IMF was concerned about the

stability of the country's eco-

Mr Michael Atkin of the

Institute for International

Finance, a study group in Washington owned mainly by

international banks, said

before the deal's closing: "The

completion of the deal without

the IMF seal of approval would

break new ground and signals

a shift in the importance

attached by the markets to the

meant the Brazilian govern-

ment could not secure a special

issue of zero coupon US Trea-

sury bonds to act as a guaran-

tee in the restructuring.

Instead, Brazil was forced to

buy those bonds directly from

the market. Brazil has admit-

ted it started buying zeros in

The lack of an IMF accord

Bretton Woods institutions."

nomic reforms.

October in case the IMF accord In spite of the IMF setback. the banks remained keen to complete the deal. They feared a further delay would lead to the deal being shelved before

the elections. Lawyers for Brazil's central bank and the country's bank creditors will now be waiting to see what action, if any, the Darts will take. The family - led by Mr Kenneth Dart who was recently reported to have become a Belize citizen - is likely, along with other investors, to have taken sharp losses with the declines in recent weeks of sovereign debt

While the banks wait for the Darts, there was good news last week from Mr da Silva. He and fellow moderates won a fierce debate about foreign debt in the São Paulo branch of his Workers' Party (PT).

This may mean his party's election stance will be to seek repegotiation of Brazil's foreign debt rather than a debt moratorium, as many PT radicals demand.

Mr Aloizio Mercadante, another PT moderate and pos sible finance minister if Mr da Silva wins, said: "The present government is at the end of its mandate and is weak, so cannot be the best interlocutor of our foreign debt. This new debt agreement can therefore only be temporary."

The bankers' hope must be that either the PT's poll lead drains away or that an incoming PT government will have many other domestic priorities before that of fighting its bank creditors. Otherwise, the banks may start reminding Mr Rhodes of his favourite

Mitchell outlines less costly alternatives

Health options for Clinton

By Jurek Martin in Washington

Washington for Milwaukee yee- share of costs for workers. amid signs that he is willing to back more modest alternatives advanced by Senator George Mitchell, the Democratic

majority leader. Mr Mitchell, who last week turned down a chance to serve on the Supreme Court in order to lead the fight for healthcare reform, laid out his ideas at a weekend party policy retreat in Virginia. Mr Clinton attended the session, as did Mr Ira Magaziner, the White House adviser who is one of the principal architects of the administration's bill.

According to the New York Times, Mr Mitchell's sugges-

tions preserve the essentials of on total payrolls but on the age the president's goals - univer of each worker. This, he sal uncancellable coverage, argued, would spread subsidies President Bill Clinton left with employers bearing a

terday on yet another drive to promote healthcare reform would be less costly to both the his approach could reduce the government and companies. For example, Mr Mitchell raised the idea that employers should be asked to beer only 50 per cent of the insurance bit. rather than the 80 per cent in the administration proposals, with companies with more than 1,000 staff retaining the option to provide their own healthcare programme. The Clinton plan confines this option to those with more than

5,000 employees. He also suggested a more limited peckage of insurance benefits and different ways of subsidising small businesses by basing such payments not

more evenly to make easier

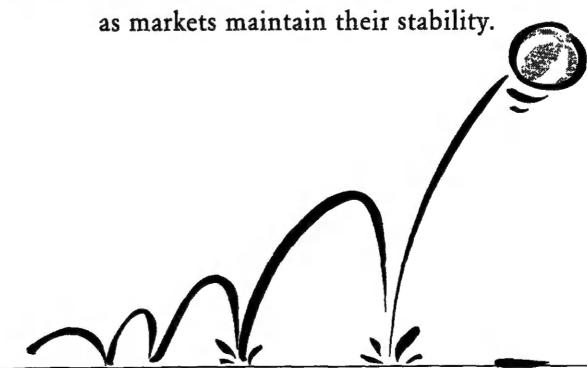
coverage for the lower paid.

Mr Mitchell calculated that average employer premium for each family by about 16 per cent and cut the government bill by about \$150bn-\$165bn (£103bn-£113bn) by the end of the century. Earlier this year Congressional Budget Office, the independent watch-dog, reported that the Clinton plan would increase federal spending, not cut it, by \$74bn by the year 2000.

The senator did not portray his ideas as a concrete plan but he recognises the importance of making legislative progress in the weeks ahead, given the assumption that the Clinton plan, as drafted, cannot pass.

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Calls grow for Haiti invasion

A second US congressman has raised the issue of an Ameri-can military invasion of Haiti, but only after first tightening sanctions against the troubled Caribbean state, Reuter

reports from Washington.
Senator John Kerry, a Massachusetts Democrat, said on
Sunday: "I don't think it is the first step, but it is certainly high on my list of options, depending on what the scenario afterwards would be." Representative David Obey

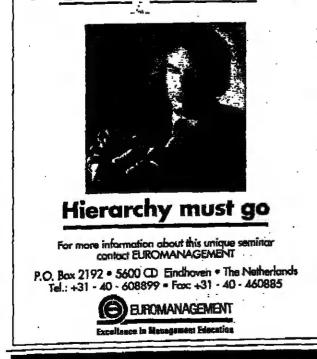
Wisconsin Democrat, said in a newspaper interview last week that US forces should invade Haiti to remove its military government, which ousted President Jean-Ber-trand Aristide shortly after he became Haiti's first democratically elected head of state. Mr Aristide should then call for new internationally supervised elections, Mr Kerry said. The State Department had said that it would look at the

call for an invasion, but that Washington would meanwhile continue to pursue a diplo-The invasion calls came as

Mr Aristide criticised US poltey on Haiti and urged Washington to increase sanctions against the military rulers. He said during a visit to

Berkeley, California, that he was unhappy with President Bill Clinton's policy on Haiti, which he described as "racist" and "a clear violation of

human rights". He condemned the US for forcibly repatriating Haitlan refugees trying to flee the island where, according to news reports, a new wave of political terror has been launched against his support-



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Watanabe wavers on bid to become prime minister

By William Dawkins in Tokyo

Mr Michio Watanabe, a faction chief in Japan's opposition Liberal Democratic party, yesterday voiced second thoughts over his campaign for the

prime ministership.
A tired looking Mr Watanabe said he needed more time to consider. He appeared on the brink of dropping out of the power struggle unleashed by the recent resignation of Mr Morihiro Hosokawa as prime minister, so leaving the way clear for the coalition's likely candidate - Mr Tsutomu Hata, foreign minister.

The alliance hopes to stage a parliamentary vote on its prime ministerial candidate tomorrow or later, said Diet officials. A parliamentary committee is due to decide the timing today, a day later than planned uncertainty created by

By Nikki Tait in Sydney

Australian coal miners are to stage a 48-hour strike from today in protest at the contract

accepted in the annual negotiations with the Japanese steel

mills. The government has

instigated a six-month review of the nation's export coal

Mr Watanabe's ambiguous bid for power. However, coalition members want to finalise a policy accord before proposing Mr Hata as prime minister, in an attempt, seen by many analysts as optimistic, to avoid the unscheduled rows that dogged the previous government.

Japanese investors financially

restructured, sold or announced sales of a total \$17.6bn (£11.95bn)

in US property investments last

year, according to Kenneth Leventhal & Company, US accountants, writes Emiko Terazono

in Tokyo. While US banks and life

lending problems behind them and

expect to post record profits this

assurers have the real estate

Party representatives were yester-day discussing a draft accord, prepared over the weekend.

Mr Yohei Kono, LDP president, yesterday met Mr Watanabe in a second attempt to persuade him to stay in the party, but failed to stop a trickle of defections. Nearly 30 politi-

year, Japanese institutions, which

their domestic bad property investments and loans, have been

slow in dealing with investments in the US market made in the asset

The 1993 figure amounts to 23

per cent of the \$77.8bn in US real

estate investments by Japanese investors, including banks, property

boom of the late 1980s.

have only recently started to tackle

cians have left both the government and opposition camps over the past 10 days, mainly to stand as independents, in the upheaval provoked by Mr Hosokawa's resignation.

By yesterday evening 11 of the LDP's 219 members of parliament had announced their resignations.

The New York and Chicago office

market and the Orange County and

San Diego industrial markets, which

companies and construction

companies, made in 1985-93.

markets, the New York hotel

make up a quarter of Japanese

recover for three more years.

Another 25 per cent is in the Los Angeles office and Hawaii hotel

Of the total, five have formed a new party, the New Future party, which says it might work with the coaliminimum of five members of parlia-

ment qualify for state subsidies. Another five LDP defectors are supporters of Mr Watanabe, who

will join one of the coalition parties.
One member of Mr Watanabe's faction said Mr Watanabe could bring a total of 11 followers with him if he did leave the LDP. He likened Mr Watanabe to the second world war battleship Yamato, a supposedly unsinkable vessel which was sent to JAPANESE INVESTORS START TO WITHDRAW FROM US PROPERTY MARKET the bottom after it went to meet the US fleet in 1944 with a one-way supmarkets, where recovery is not expected for at least five years. Separately, three members of the

have not yet declared their inten-

tions, while one defector has said he

Japanese institutions have parliament: left Mr. Hosokawa's traditionally taken the "hold and. Japan New party to stand as inde-pendents yesterday in protest at his wait" strategy in dealing with problem US real estate assets in growing closeness to Mr Ichiro Ozawa, the coalition's backroom he hope that US property markets will would recover.
Of the \$17.59km liquidated or power-broker. This follows last week's decision by another group, restructured last year, 45 per cent has been in hotels and resorts. the New Harbinger party, to distance itself from the coalition.

S Korea and US agree hard line

By John Burton in Secul

The US will not hold new high-level discussions with North Korea unless it accepts full international nuclear inspections by early May, US and South Korean officials

agreed yesterday. South Korea meanwhile received its first shipment of Patriot missiles to defend miliparriot missiles to discussive passible attacks by North Korean Scud missiles. The missiles, which arrived in the port of Pusan, will be deployed by the end of

Mr Robert Gallucci, who Mr Robert Gallinca, who heads the US policy group an North Korea, reaffirmed the condition for talks with Pyong yang during a meeting in Seoul with Mr Kim Sam-hoon, his South Korean counterpart, a North Korea has claimed.

direct talks with the US would orrect raiss with the U.S. woth:
solve the dispute over nuclear
inspections by the International Atomic Energy Agency.
Pyongyang is believed to beseeking US diplomatic recognition in return for accepting
immedians.

inspections.
South Korea on Friday with drew a demand for an exchange of envoys with North Korea, clearing the way for renewed talks between Wash-

ington and Pyongyang.
The special envoys would have discussed inter-Korean. nuclear inspections, which would be more intrusive than those conducted by the IAEA.

The decision was meant to break a diplomatic impasse by separating inter-Korean talka from US-North Korean negotiations. South Korea had previously insisted the two sets of negotiations be conducted simultaneously, but North Korea has refused to do so,

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Thais invite Burma to Asean

Mr Prasong Soonsiri. That-land's foreign minister, flies to Burma today to invite Rangoon's military regime to attend the Association of South-East Asian Nations min-isterial meeting in July, Wil-ham Barnes writes from Bang-

Indonesia. Malaysis and the Philippines have been per-suaded to set saide "reserva-tions" that such an invitation to a widely reviled administration could disrupt the organisa tion's relations with its west-

its seven "dialogue partners" -the US, European Union, Australia, Canada, South Korea, Japan and New Zealand. Burns will probably be invited as a guest of the host. That-land, rather than - more significantly – as a guest of Assen

Australian coal miners to strike over export prices affected by the Japanese steel mills' problems and by changes in steel-making technology, steaming coal demand stands to benefit from the growth in Asian power station users. The Queensland Mining Council said the strike would cost up to A\$52m (£25.5m) in lost production. Mr David Beddall, federal resources minis-

Martin Lee (centre), head of Hong Kong's United Democrats party, whose call for more democracy in the colony is opposed by China, links hands with Anthony Cheung (left), head of the Meeting Point

party yesterday after announcing they will join to form the Democratic party, write Simon Holberton in Hong Kong and Reuter. The move marks a realignment of Hong Kong's pro-democracy groups with

In March, mineworkers staged similar industrial because of the political furore which had followed an unexaction, that time in protest at the coking coal price cuts which coal companies had

Thursday. Over 20,000 mine-

workers will be involved, and

the action is expected to close production in Queensland and New South Wales. Coal is Aus-tralia's largest single export. The outcome of the steaming prices for steaming coal agreed between the country's coal coal contract negotiations, announced at the end of March, was closely watched pectedly large cut in coking coal prices agreed earlier in the year. In the event, the steaming coal price was reduced by 5.8 per cent, while the coking coal reduction was around 8 to 9 per cent.
However, it had always been

The latest bout of industrial felt the underlying market con-ditions for thermal coal were better. While the coking coal action will start with the first shift today and work will resume with the first shift on

dail, rederal resources minis-ter, also condemned the strike. News of the mineworkers' action came as Mr Lee Kuan Yew, former Singapore prime minister, blasted Australian work ethic problems. At a busi-ness lunch in Sydney, he warned that, if the country wanted to compete in Asia, "Australians must be weaned from welfare dependency and become self-reliant and com-

Native title fears dismissed

Moody's, the US-based rating agency, said yesterday that it believed the impact on West-ern Australia of the new federal native title legislation may prove to be less than feared", Nikki Tait writes from The new legislation, which

came into force on January 1, acknowledged that Aboriginal

people could possess native title rights over land in Australis and set up a system for deciding land claims, and deciding on appropriate com-pensation where the land had been allocated for other purposes. Western Australia is thought to be the state most

Mr Laurie Brereton, Austra-

lia's federal transport minister said yesterday that he was in favour of selling "a very lim-ited number" of the nation's airports, currently under the control of the Federal Airports Corporation, into the private sector. He put Melbourne's Tullamarine airport at the top of the list of sirports which might

For more than a century and a half, Patek Philippe has been known as the finest watch in the world. The reason is very simple. It is made differently. It is made using skills and techniques that others have lost or forgotten. It is made with attention to detail very few people would notice. It is made, we have to admit, with a total disregard for time. If



a particular Patek Philippe movement requires four years of continuous work to bring to absolute perfection, we will take four years. The result will be a watch that is unlike any other. A watch that conveys quality from first glance and first touch. A watch with a distinction: generation after generation it has been worn, loved and collected by those who are very difficult to please; those who will only accept the best. For the day that you take delivery of your Patek Philippe, you will have acquired the best. Your watch will be a masterpiece, quietly reflecting your own values. A watch that was made to be treasured.



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Watches of Switzerland

Selected Branches Naturation

China's PM in Central Asia

Mr Li Peng, China's prime minister, has begun a four-na-tion tour of Central Asia aimed at promoting Beijing's political and commercial interests in an unstable region on its troubled

Mr Li, who last year deferred a visit to the former Soviet republics because of heart problems, is certain to seek surances that Central Asian eaders will not help Moslem

terday and will visit Turkmenistan, Kyrgyzstan and Kazakhstan before returning home via Mongolia. For the first time, a Chinese leader travelling abroad has included business men and traders in his party. Mr Zheng Hongye, president of the China Council for the

separatists in China itself. Promotion of International China has a Moslem popula. Trade, said businessmen would tion of about 10m, with most in sign a "range of agreements" the under populated western in construction, textiles, elec-province of Xinjiang. It is a construction, textiles, elec-tronics, telecommunications, Asean ministerial meetings he arrived in Uzbekistan yes-petrochemicals and mineral are followed by a regional

Beijing is anxious to extend its commercial reach into Central Asia as a means of strengthening its political influence in a region that traditionally it has regarded as

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

	w Unit	ED ST	TATES			· B JAP	W		٠.	·		GER	MANY	1,18,5	1	
	Berts	Visitio Trade helance	Current account; belonce	Ecs exchange exis	Attigation orchospa colo	Epote	Visitie bade balance	Compat Stocked Colemon	5m 	Electro 	 	ere.	Wellie trade	Company		
885	279.8	-174,2	-162.5	0.7823	100.0	230.8	76.0	64.5	180.50	100.0		242.8	33.2	21.7	2.2260	
986	230.9	-140,6	-152,7	0.9835	80.2	211.1	96.2	86.9	165,11	124.4		248.6	53.3	40.3	2.1279	
987	220.2	-131.8	-145.0	1.1541	70.3	197.3	86.1	75.5	166.55	133.2		254.3	56.6	39.6	2.0710	
968	272,5	-100.2	-107,5	1.1833	66.0	219.5	80.7	56.6	151.51	147.3		2728	. 81.5	42.0	2.0784	
989	330.2	-99.3	-92.2	1.1017	69.4	245.3	70,5	52.4	151.87	141.9		310.2	65.3	52.3	- 2.0681	
990	309.0	-79.3	-72.1	1,2745	65.1	220.0	50.1	28.3	183.94	126.0		323.9	51.5	37.2	2.0587	
991 992	340.5	-53.5	-6.7	1.2391	64.5	247,4	83.1	62.9	186.44	137.0		327.4	11.2	-182	2.0490	
993	345.8 397.2	-64.1	-51.2	1.2957	62.9	254.8	101,8	89,8	164.05	142.9		330.6	16.8	-19,5	2.0187	
990	397.2	-98.8	-93.3	1.1705	65.6	300.4	120.3	110.3	130.31	173.8		310.0	30.0	-18.7	1,9337	- 12
at qtr.1993	96.1	-21.8	-18.8	1.1920	66.4	72.6	29.8	30.2	144.38	158.5		78.9	4.5	-40	2.0.00	12
and qtr.1983	95.3	-25.4	-22,8	1.2069	64,3	73.4	29.0	26.1	132.76	172.4		75.1	··· 7.8	-2.5	1,9476	
rd qtr.1993	99.7	-27.2	-24,5	1.1443	65.4	79.7	31.8	27.6	120.89	183.7		76.6	B.1	-9.3	1.9160	
th qtr.1983	107.6	-24.5	-27,7	1.1388	66.4	75.0	29.8	26.3	123.20	180,2		81.5	. 11,8	-2.6	1.9161	
Aerch 1993	33.0	-8.9	n.a.	1,1789	66.2	25.5	10.4	13.6	138.61	164.4	-	24.0				
Propi	31,5	-8.3	11.0	1.2214	64,3	24.6	10.0	9.7	137,17	167.8		24.0 25.5	1.7 2.0	0.6	1.9399	
lay	32.0	-8.9	II.A.	1,2161	63.9	23.4	10.1	8.9	134.15	171.0	,	24.6	2.9	-24	1,9483	
une	31.8	-10.2	n.a.	1.1833	84,5	25.3	8.8	75	125.97	178.2		25.1	2.8	-1.1 0.8	1,9548	
uly	32.7	-9.2	n.a.	1.1349	65.9	26.8	11,4	9.7	122.24	181.1		24.1	22	-4.1	1.9059	
ngrat	33.8	-8.9	na.	1.1251	65.7	26.4	9.8	6.5	116.79	188.2		26.5-	2.1	-33	7,9081	12
eptember	33.2	-9.1	II.b.	1,1728	64.7	26.4	10.6	9.4	123.63	181.5		25.9	1.9	-1.8	1,8896	
ctober	34.6	-9.4	П.Б.	1.1597	65.5	24.7	9.7	9.0	124.03	180,4		27.A	4.2	-2.3	1.8095	
lovember lecember	35.7 37.4	-8.6 -6.5	R.D.	1.1282	66.6	24.6	9.5	8.1	121.66	181,5		27.4	3.7	0.2	1.9182	
enuary 1994	35.5	-8.8	n.a.	1,1287	67.0 67.5	25.7	10.5	9.1	123.92	178.5		26.7	3.6	-0.4	1.9908	
ebruary	202	-0.0	rug. Tug.	1.1184	66.7	27.0 26.8	11.4	10.1	124.03	177,0				-2.9	1.9415	
ence à			16.05	1,1104	00,7	20.8	11.3	9.8	118.77	185.2					1.9397	
		Visite Irade	Current	Scott	Chechie		Visite Irade	Current	Eor	Miche		UNIT	Tielle	NGDO	- Cost	Bleck
	Sports	belesce	beliege)	cute	refe	Espeta	palence	Sections:	rate	estimate (da)		Sports	Inde		Table (Inc.)	-
985 986	133.4	-3.6 0.0	-0.2	6,7942	100.0	103.7	-16.0	-5.4	1443.0	100.0		132.4	-5.7	3.8	0.5880	70
987	128.3	-4.6	3.0 -3.7	6.7946 6.9265	102.8	99,4 100.7	-2.5	-1,4	1461.6	101.4		108.3	-142	-1.3	0.6708	. 91
966 966	141.9	-3.8	-3.4	7.0354	100.8	106.3	-7.5	-2.1	1494.3	101.2		112.3	-16,4	-7.1	0.7047	
969	162.9	-6.3	-3.6	7.0189	99.8	127.8	-8.9 -11.3	-8.0	1538,8	97.8		120.9	-32.3	-25.0	0.6648	- 66
990	170.1	-7.2	-7.2	6.9202	104.8	133.6	-9.3	-17.0 -18.0	1509.2 1523.2	98.6		137.0	-38.7	-33.5	0.8728	92
	175.4	-42	-4.9	8.9843	102.7	137.0	-10.5	-17.7	1531.3	100.6		142.3	-26,3	-25.6	0.7150	91
497			2.0	6.8420	106.0	137.9	-8.0	-20,6	1591.5	98.9		147.7	-14.7	-10.9	0.7002	. 91
991 992	182.5	4.6			108.3	.00	-0.0	~< 0.0	1836.7	95,7 79,6		145.5	- <u>18.2</u>	-13.5	0.7350	- 81
997 992 993	182.5 177.6	4.6 12.9	8.9	6.6281					1000.7	15.0		155.4	-17.3	-13.7	0.7780	- 80
992 993	177.6	12.9	8.9									37.5	-12	-3.9	0.8017	7
992 993 et qtr 1993	177.6 43.0	12.8	8.9	6.6067	110.0	32.4	0.8	-2.6	7839.B	80,5				-	. VENUE II	
992 993 et qtr 1993 nd qtr 1993	177.6 43.0 44.3	12.9 2.2 3.2	0.4 1.4	6.6067 6.6118	110.0 109.7	36.6	3.9	1.7	1814.2	81.2		37.9	-4.1	4.1		
992 993 et qtr 1993 nd qtr 1993 rd qtr 1993	43.0 44.3 44.7	12.8 2.2 3.2 3.4	8.9 0.4 1.4 3.5	6.6067 6.6118 6.6508	110.0 109.7 106.4				1814.2 1813.0	81.2 79.8	:	40.5		-4.1 -2.3	0.7862	
992 993 et qtr 1993 nd qtr 1993	43.0 44.3 44.7 45.5	12.9 2.2 3.2 3.4 4.2	8.9 0.4 1.4 3.5 3.5	6.6067 6.6118 6.6508 6.6431	110.0 109.7 106.4 107.3	36.6	3.9	1.7	1814.2	81.2	:		-4.1	-4.1 -2.8 -3.4	0.7862	- 61
992 993 et qtr 1993 nd qtr 1993 rd qtr 1993	43.0 44.3 44.7 45.5	12.8 2.2 3.2 3.4 4.2 0.97	8.9 0.4 1.4 3.5 3.5 -0.31	6.6067 6.6118 6.6508 6.6431 6.5919	110.0 109.7 106.4 107.3	36.6	3.9	1.7	1814.2 1813.0	81.2 79.8 77.0	:	40.5 39.6	-4.1 -4.0 -5.0	-2.3 -3.4	0.7862 0.7605 0.7636	81 81
992 993 et qtr 1993 ed qtr 1993 rd qtr 1993 th qtr 1993 larch 1993 pril	177.6 43.0 44.3 44.7 45.5 14.5	12.8 2.2 3.2 3.4 4.2 0.97 0.95	8.9 0.4 1.4 3.5 3.5 -0.31 -0.21	6.6067 6.6118 6.6508 6.6431 6.5919 6.5875	110.0 109.7 106.4 107.3 103.9 110.5	38.5 34.2 11.7 11.8	3.9 6.1	1.7 3.2	1814.2 1813.0 1879.8	81.2 79.8 77.0 78.5		40.5 39.6 12.6	-4.1 4.0 5.0	-23 -3.4	0.7862 0.7805 0.7835 0.8081	81 81
992 993 et qtr 1993 nd qtr 1993 rd qtr 1993 th qtr 1993 Jarch 1993 Jarch 1993	177.6 43.0 44.3 44.7 45.5 14.5 14.8 15.2	12.8 2.2 3.2 3.4 4.2 0.97 0.95 1.58	8.9 0.4 1.4 3.5 3.5 -0.31 -0.21 2.06	6.6067 6.6118 6.6508 6.6431 6.5919 6.5875 6.6636	110.0 109.7 106.4 107.3 103.9 110.5 109.8	38.5 34.2 11.7 11.8 12.4	3.9 6.1 -0.1 1.1 1.2	1.7 3.2 -0.8	1814.2 1813.0 1879.8	81.2 79.8 77.0 78.5 79.0	-	40.5 39.6 12.6 12.4	-4.1 -4.0 -5.0 -1.3 -1.6	-23 -3.4 n.s.	0.7862 0.7695 0.7695 0.8061 0.7894	78 80
992 993 et qtr 1993 nd qtr 1993 rd qtr 1993 th qtr 1993 Jarch 1993 pril Lay une	177.6 43.0 44.3 44.7 45.5 14.5 14.8 15.2 14.6	12.8 2.2 3.2 3.4 4.2 0.97 0.95 1.58 0.61	8.9 0.4 1.4 3.5 3.5 -0.31 -0.21 2.06 -0.42	6.6067 6.6118 6.6508 6.6431 6.5919 6.5675 6.6636 6.5842	110.0 109.7 106.4 107.3 103.9 110.5 109.8 108.9	38.5 34.2 11.7 11.8 12.4 12.5	-0.1 1.1 1.2 1.8	1.7 3.2 -0.8 0.1	1814.2 1813.0 1879.8 1876.4 1871.4	81.2 79.8 77.0 78.5		40.5 39.6 12.6 12.4 12.5	-4.1 -4.0 -5.0 -1.3 -1.6 -1.4	-23 -34 na na	0.7862 0.7605 0.7696 0.8061 0.7894 0.7856	80 81 78 80 90
982 993 et qtr 1993 ed qtr 1993 th qtr 1993 th qtr 1993 Jarch 1993 pril lary uno	177.6 43.0 44.3 44.7 45.5 14.5 14.8 15.2 14.6 15.2	12.8 2.2 3.2 3.4 4.2 0.97 0.95 1.58 0.61 1.69	8.9 0.4 1.4 3.5 3.5 -0.31 -0.21 2.06 -0.42 1.27	6.6067 6.6118 6.6508 6.6431 6.5919 6.5875 6.6636 6.5842 8.6299	110.0 109.7 106.4 107.3 103.9 110.5 109.8 108.9 107.0	38.6 34.2 11.7 11.8 12.4 12.5 14.7	-0.1 1.1 1.2 1.6 4.4	1.7 3.2 -0.6 0.1 0.8 0.8 2.6	1814.2 1813.0 1879.8 1876.4 1871.4 1793.2 1778.0 1796.8	81.2 79.5 77.0 78.5 79.0 82.2	_	12.6 12.4 12.5 13.0	-4.1 -4.0 -5.0 -1.3 -1.6 -1.4 -1.2	-23 -34 na na na	0.7862 0.7605 0.7636 0.8061 0.7894 0.7656 0.7837	78 80 80 79
992 993 et qir 1993 nd qir 1993 nd qir 1993 th qir 1993 (arch 1993 prill (ary use usy usy	177.6 43.0 44.3 44.7 45.5 14.5 14.8 15.2 14.6 15.2	12.8 3.2 3.4 4.2 0.97 0.95 1.58 0.61 1.69 0.39	8.9 0.4 1.4 3.5 3.5 -0.31 -0.21 2.08 -0.42 1.27	6.6067 6.6118 6.6508 6.6431 6.5919 6.5975 6.6636 6.5842 6.6290 6.5761	110.0 109.7 106.4 107.3 103.9 110.5 109.8 108.9 107.0 105.3	38.6 34.2 11.7 11.8 12.4 12.5 14.7 7.6	-0.1 1.1 1.2 1.6 4.4 0.8	1.7 3.2 -0.6 0.1 0.8 0.8	1874.2 1813.0 1879.8 1876.4 1871.4 1793.2 1778.0	81.2 79.8 77.0 78.5 79.0 82.2 82.5 80.8	-	12.6 12.4 12.5 13.0 13.3	-4.1 -4.0 -5.0 -1.3 -1.6 -1.4 -1.2 -1.6	-23 -34 n.e. n.e. n.e.	0.7862 0.7605 0.7635 0.8061 0.7894 0.7855 0.7837 0.7565	78 80 80 80 79 81
992 993 et qtr 1993 ed qtr 1993 ed qtr 1993 th qtr 1993 larch 1993 pril lary use uty ugust optember	177.6 43.0 44.3 44.7 45.5 14.5 14.6 15.2 14.6 15.2 14.4	12.8 2.2 3.4 4.2 0.97 0.95 1.58 0.61 1.69 0.39 1.29	8.9 0.4 1.4 3.5 3.5 -0.31 -0.21 2.06 -0.42 1.27 1.27	6.6067 6.6118 8.6508 6.6431 6.5919 8.5875 6.6636 6.5842 8.6299 6.5761 8.6465	110.0 109.7 106.4 107.3 103.9 110.5 109.9 107.0 105.3 107.0	38.6 34.2 11.7 11.8 12.4 12.5 14.7 76 12.0	-0.1 1.1 1.2 1.6 4.4 0.9	1.7 3.2 -0.6 0.1 0.8 0.8 2.6	1814.2 1813.0 1879.8 1876.4 1871.4 1793.2 1778.0 1796.8	81.2 79.8 77.0 78.5 79.0 82.2 82.5 80.8 79.7		12.6 12.4 12.5 13.0 13.3 14.0	-4.1 -5.0 -1.3 -1.6 -1.4 -1.2 -1.6 -0.6	-2.8 -3.4 n.e. n.e. n.e. n.e.	0.7862 0.7635 0.7635 0.7636 0.7894 0.7856 0.7837 0.7565 0.7546	78 80 80 80 79 81
992 993 et qir 1993 ed qir 1993 th qir 1993 larch 1993 larch 1993 prii lay une udy ugust optionibar ctober	177.6 43.0 44.3 44.7 45.5 14.6 15.2 14.6 15.2 14.4 15.1	12.8 2.2 3.4 4.2 0.97 0.95 1.58 0.61 1.69 0.39 1.29 1.02	8.9 0.4 1.4 3.5 3.5 -0.31 -0.21 2.06 -0.42 1.27 1.00 1.17	6.6067 6.6118 6.6508 6.6431 6.5919 6.5875 6.6636 6.5842 8.6296 6.5761 8.6465 6.9631	110.0 109.7 106.4 107.3 103.9 110.5 109.8 108.9 107.0 105.3 107.0 106.9	38.8 34.2 11.7 11.8 12.4 12.5 14.7 76 12.0 13.2	-0.1 1.1 1.2 1.6 4.4 0.8	-0.6 0.1 0.8 0.8 2.6 0.3	1814.2 1813.0 1879.8 1876.4 1871.4 1793.2 1778.0 1796.8 1804.2 1838.0 1854.9	81.2 79.8 77.0 78.5 79.0 82.2 82.5 80.8	-	12.6 12.4 12.5 13.0 13.3 14.0 13.3	-4.1 -4.0 -5.0 -1.3 -1.4 -1.2 -1.6 -0.6 -1.8	-2.8 -3.4 -7.2 -7.2 -7.2 -7.2 -7.2 -7.2 -7.2 -7.2	0.7862 0.7635 0.7635 0.8061 0.7894 0.7856 0.7837 0.7565 0.7545 0.7685	78 80 80 90 79 81 81
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Member of the National Peacekeeping Force faces ANC taunts in Tokoza township after a man was arrested for having an AK47 as

The new S Africa rises in Boer heartland

Patti Waldmeir finds Afrikaner and ANC learning to live together even before the poll



friends at the golf course on Saturday, 'Mark my words, on the 26th of May la month after South Africa's AFRICAN election we ELECTIONS will be sitting

April 25-28 here, having a beer, nothing is going to disap-pear'." Mr Kobus Botha, golfer, lawyer, and right-wing town councillor in Viljoenskroon, one of the country's most con-servative towns, has made his peace with the new South

He still believes in apartheid, he still thinks Afrikaners should have their own homeland - but he is preparing to live under the African National Congress government which will almost certainly be elected in the all-race poll on April 26-28. And the ANC in Viljoenskroon, which will soon control the council of this small Orange Free State town, is not only willing but eager to learn On the face of it, little has

changed in this classic town of the Afrikaner platteland, the rural hinterland where white hostility to black is supposedly at its highest. Road signs

marking the entry to Viljoen- held out. Even the decision to skroon are plastered with set up the new 50-50 body was right-wing stickers declaring not voluntary: under new legis-This is our wolkstaat (homelation, the white council would land)"; and the wide, impeccahave been removed if it had bly maintained streets of the not accepted this option. white town still contrast But if the white council's

sharply with the rutted, nearpublic stance is reluctant, even Impassable dirt roads of Ramobstructive, local ANC officials mulotsi township, where nightsay there is considerable soil buckets provide the only co-operation behind the scenes. sewerage for many residents. The head of the ANC's local government section in Rammu-lotsi. Mr Lucky Phooko, says Yet Viljoenskroon is about to experience its own local revolution to rival any that the he believes four out of the seven white councillors will national politicians can deliver. By election day, the town's all-white council (domico-operate with the ANC. Some are already offering advice, in a clandestine fashion, by telenated by the ultra-right Con-

servative party by a ratio of six

to one) will in effect be

replaced by an interim body in

which whites and blacks will

Though this body is merely a

"negotiating forum" charged

with hammering out a new

local government structure

before local elections later this

year, it marks the first step to

integrated local government,

and crucially, the first move

toward sharing Viljoenskroon's (white) tax base between its

30,000 to 40,000 black and 2,500

towns, took steps months or years ago to integrate local

government. Viljoenskroon

Other, less conservative

white residents.

split the seats between them,

The CP [Conservative Partyl guys have acclimatised with the law. It's now that they respect us and treat us as human beings," Mr Phooko says, adding that the ANC wants to draw on the expertise of white councillors, especially in budgetary matters.

"We're going to utilise these guys, the Boers [right-wing Afrikaners], because of their expertise in local government. Most of the Boers have been misinformed about the ANC. If we explain clearly to them . . . if we can work together...you will see a transfor-mation in our township," he

man who believes that all of Viljoenskroon's people - white and black - will be happier, more prosperous and more secure living together than living separately under apartheid. Mr Phooko knows that, even after the elections, whites will still have a statutory 30 per cent share of the council (though they make up less than a tenth of the population). This will give them what will in effect be a veto over the budget. But he seems happy with the compromise, which was offered by the ANC in the last stages of constitutional

negotiations to calm white He seems more concerned at persuading Rammulotsi residents to resume rent and ser-

vice payments after a long boycott: "For one to get something you have to give something up that is what we are going to each our people," he says.

Things could still go badly

awry. Kobus Botha draws a bottom line below which he will not compromise. "Religion, a basic education for my kids, a chance to do a job, a decent living - not necessarily in the same luxury, we've lived

like kings! - personal safety.
"If you can't go on holiday
without running into an impi Zulu war party] at Pietermaritzburg...then you have to say, is it worth it? Perhaps for flat in New Zealand."

Ironically, Mr Botha says he hopes the ANC scores a big win at the polls. 'I'd like the ANC to win 75 per cent and immediately restore law and order: get back capital punishment, get out the army and shoot them [perpetrators of violence and crimel to pieces."

He has an unlikely ally in Mr Louis Botha (no relation), the local chairman of the ruling National party, who also hopes for an ANC triumph. "We need a very strong government which must have the ability to rule in a very strict way," he says, adding the ANC must wield even more power than

But if this seems an unlikely fan club for the ANC, some Viljoenskroon residents provide a more predictable response to the upcoming elections. Mr Kerneels Dercksen, a local farmer and militant member of

the Afrikaner Volksfront, is always ready with the cliches of the right: "The Afrikaner will not tolerate the ANC to govern. This country will go up in smoke." He says he will not pay taxes to the new government, has installed a large generator to cope with retaliatory interrup-

tions in electricity supply and has erected a formidable security fence around his farm to keep out the ANC. He says his phone and home are bugged by the security forces which used to serve aparthetd and which are now preparing to serve the

Will he disrupt the elections: Not personally, he says. Will he move to a polkstoor? No, but he will buy a plot there as Lawyer Kobus Botha probably comes closest to summing up the local mood: "It's business as usual here. People are worried, they're concerned, but they're not nervous. They're buying tractors, not Kruger-

Return of Golan seen as crux

Israel to offer package to Syria

By Julian Ozanne in Jerusalem

Israel has formulated a comprehensive package for negotiations with Syria on a withdrawal from the occupied Golan Heights which it wants Mr Warren Christopher, US secretary of state, to deliver to Damascus later this month.

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Israeli officials said the US had told Jerusalem that, if the Christopher mission succeeds, Syria had promised to upgrade current peace talks to foreign minister level and enter direct

military-to-military talks. Mr Dennis Ross, US Middle East peace envoy, is expected in Israel on Friday before fly-Mr Christopher's Middle East shuttle next week.

The success of the US mission, however, will depend on Israel's commitment to a full withdrawal from Golan, a key Syrian demand. A Syrian spokesman said: "Syria will never accept anything less than full Israeli withdrawal from the Golan... Is Israel ready to return the land, the whole land? This is the question that needs to be

One option being considered by Israel is to make an early formal renunciation of its claims to sovereignty over the Heights as a confidence-building measure. Mr Yossi Sarid. environment minister, said yesterday: "Without giving up sovereignty on the Golan it will not be possible to push forward the peace process and reach a positive result."

Mr Yitzhak Rabin, Israeli prime minister, has confirmed newspaper reports of a new Israeli peace plan. Mr Rabin said Maj Gen Ilan Biran at Central Command had presented a document detailing Israel's security requirements in any Golan withdrawal.

The new peace plan deals with what Israel sees as the four fundamental issues of any agreement - the extent of withdrawsi, the nature of peace, security arrangements and the timetable of phases of withthe plan included: An Israeli declaration of

 Full diplomatic relations with open borders and trade.

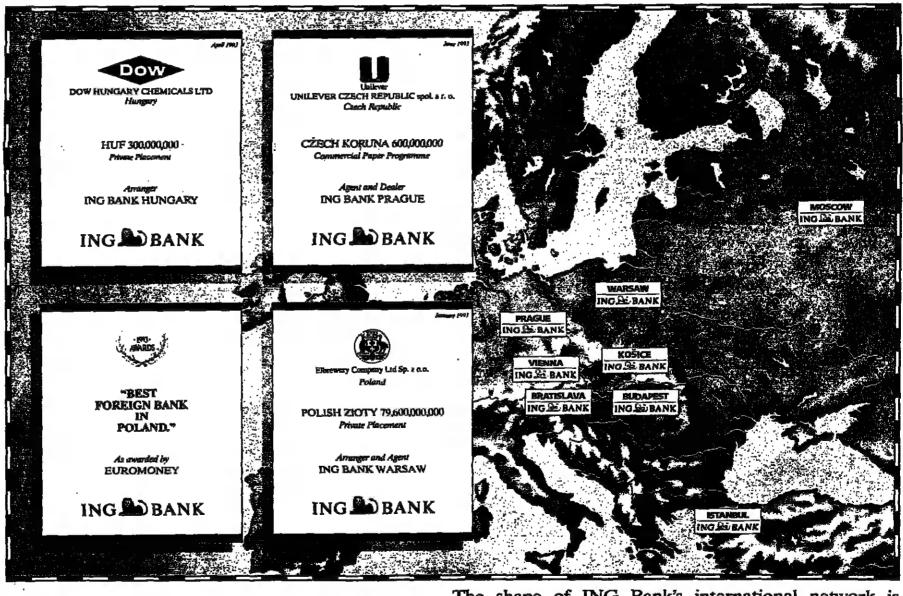
• Israeli withdrawal to be implemented in phases over a

period of years. Normalisation of relations and establishment of diplomatic ties after the first phase of withdrawal which would leave Israel still controlling

most of the Heights. Security arrangements including substantial force reductions, early warning stations, confidence building measures, international observers

and demilitarised areas. Mr Rabin has promised to take any peace deal with Syria to a referendum.

Leaders in Emerging Markets Banking and Trade Finance.



Officials act to quell bank sale worries

Israeli officials yesterday sought to deflect concern about the country's privatisation programme after the government delayed selling a controlling stake in Bank Leumi, Israel's second largest bank, Julian

Ozanne reports. Mr Gil Leidner, a senior privatisation official, said the government had delayed by 30 days closing the tender for the sale of 20 to 40 per cent of Bank Leumi because of substantial investor interest. Mr. Liedner said three new foreign investors had come forward late in the tender process. Sale of a controlling stake in Bank Leumi, worth between \$360m and \$720m (£244m and £488m), will be the government's big-

gest divestiture so far. The Finance Ministry has budgeted revenue of \$1.5bn this year from its sell-off pro-gramme which includes controlling stakes in Bank Leumi, Bank Hapoalim, Bank Mizrahi, Israel Chemicals and El Al, the state-owned airline.

However, some financial analysts speculated that the sale of Bank Leumi was in trouble and would affect the government's privatisation hopes.

The Financial Times plans to publish a Survey on

Internationale

Nederlanden

Bank

International Faxation

on Friday May 20.

and examine the challenges it will face in 1994 and the implications for the international business community. The survey will reach an estimated International readership of 1 million.

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Intelsat signs first direct UK customer

Intelsat, the world's largest commercial satellite system. has signed up a its first direct customer in the UK, in the only contract of its kind in western Europe or the US.

Mr Charles Ross of Beadnet, the Bravo Eastern Europe Digital Network, last week agreed a deal with Intelsat to use its satellites to offer voice, data, fax and TV services between the UK and the Czech and Slovak republics - where in 1992 Beednet won the first satellite user licence.

has had to be purchased through the signatories to the international treaty governing the organisation. However, the monopoly of its Intelsat signatory, British Telecom. This liberalisation has been

made more important by the fact that, together with Hong Kong, the UK accounts for around 11 per cent of Intelsat traffic, second only to the US, at 22 per cent.

satellite capacity directly from Intelsat and take part in the



Intelsat is delighted at the deregulation. "It is absolutely in our interest to open up access," said Mr Irving Goldstein, Intelsat director-general and chief executive officer.

"Companies don't have to go through a third party when dealing with our competitors." But the UK move is being closely watched by the US sig-natory, Comsat, which is resisting pressure to relinquish its own monopoly. Comsat already faces an anti-trust suit

IF MISHT SET STOKEN

Panamsat. A clear shift in business to a more open UK market would further raise the pressure for an end to its spe-

However, the UK move is an isolated one. Although Chile was the first to break away from signatory-only access to Intelsat, followed last year by Argentina, both countries account for less than 2 per cent

The UK's Department of Trade and Industry, which says it will be "as encouraging possible" in issuing licences to direct users, is also pushing for users to be allowed direct access to Intelsat's pan-European cousin, Eutelsat, "It is to the UK's credit that

they have forged ahead with opening this market," Mr Ross

said yesterday. Everyone wants this access and it can only bring end-user prices Moreover, the UK banking sector will be a big beneficiary of the Beednet service, according to Mr Ross, with financial

idly privatising region.
Beednet also hopes to extend its operations to Warsaw,

services at a premium in a rap-

Washington's threat to raise tariffs follows collapse of talks in Marrakesh Canada warns US in wheat dispute

By Bernard Simon in Toronto

Canada has warned it will retaliate against US products if the Clinton administration goes ahead with threats to restrict imports of Canadian wheat at the end of this week. The Canadians' response fol-lows concern in Ottawa that US agribusiness interests are using the wheat dispute as a lever to wring concessions in

other areas of US-Canada farm trade. Mr Jack Wilkinson, president of the Canadian Federa-

tion of Agriculture, said US demands had grown 'even more onerous" recently. In particular, the US has recently indicated dissatisfac-

tion with the high tariffs which Canada plans to impose on poultry, eggs and dairy products. Under the Uruguay Round these tariffs are due to replace quotas and other nontariff barriers. The US contends that Ott-

awa is required to dismantle the tariffs quickly under the US-Canada bilateral free trade that neither country can impose new customs duties. Canada maintains the FTA and the North American Free Trade Agreement grant spe-

managed" products.
Talks between US and Canadian ministers on the wheat dispute broke down in Marrakesh last week. Mr Mike Espy, US agriculture secretary, said. by Friday the US planned to

Mr Ralph Goodsle, his Canadian counterpart, indicated

that retaliatory action would be taken against California wine and rice, chicken products, apples and baked goods.

The dispute stems from a sharp increase in sales of Canadian wheat, especially durum, in the US. Shipments are expected to reach 2.5m tonnes in the current crop 1.3m-1.5m tonnes. Washington complains that

the wheat is excessively subsidised, and has proposed a cap on wheat imports from Canada

shortage in the domestic market, prompting buyers to turn to high-quality Canadian grain. The Canadians also point out that US exports to Canada of processed farm products flour - have risen sharply in

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Ottawa is now awaiting what a senior Canadian farm-trade official yesterday described as a "more realistic" proposal

German anger over Indian child labour

unless the level of chemical residues particularly pesticides, is brought

The German Tea Council (GTC) has told the Indian Tea Board (ITB) that some powerful social organisations in Germany have started a campaign against the Indian tea industry for using child labour.

Tea producers fear that child labour

Germany has expressed strong reservation about the use of child labour in Indian tea plantations.

The warning follows Germany's recent threat to discontinue the import of tea grown in the hills of Darjeeling unless the level of chemical residues.

Kunal Bose on the protest over use of whom had now reached the age of 16, industry officials said.

In the meantime, ITB has kept GTC.

In the meantime, ITB has kept GTC.

In the meantime, ITB has kept GTC.

In the meantime about its initiative to bring down the level of chemical residues in the whole of furnore and that the Carry Computation down the attention of the

the whole of Europe, and that the Ger-man campaign may spread to other

They are aware that many developed countries will not buy woollen carpets children have not woven them. How-ever, they say child labour constitutes only a small percentage of the tea labour force.

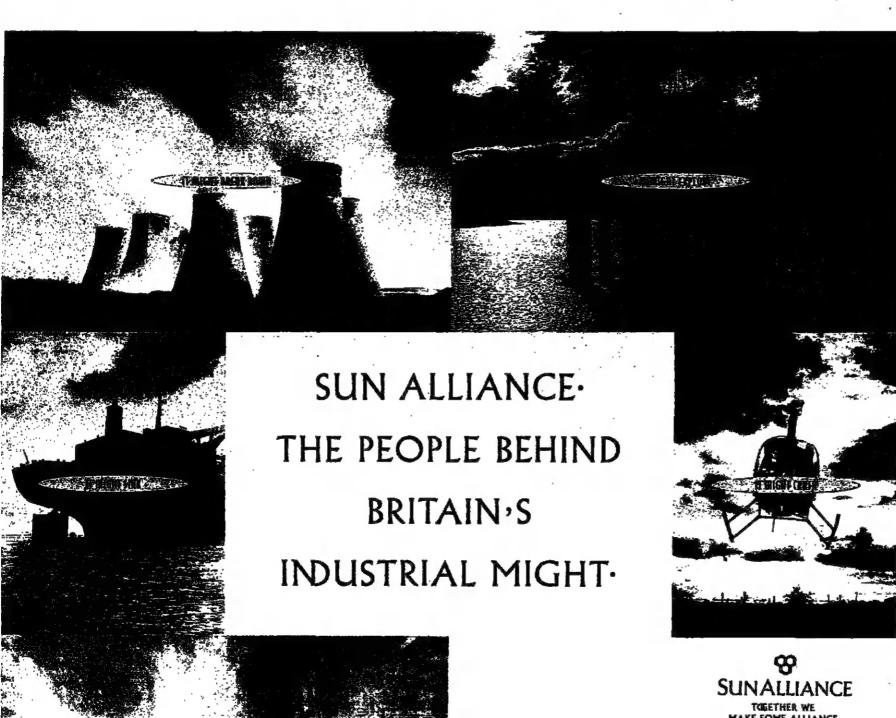
Organisation drew the attention of the Indian authorities to child labour in plantation industries. To take the wind out of the sails of the social organisations campaigning against Indian tea, producers will give assurances that in future they will not employ anyons

In the past, "local socio-economic con-ditions, including the high level of gan-srai unemployment" had forced many

Darjeeling tea. According to ITB, the residues in brewed Darjeeling tea are much less than in black tea. Darjeeling planters use more pesticides than other Indian tea-growing areas because the area is more vulnerable to pest attack.

Industry officials say the effective

implementation of the spraying schedple, recommended by tea research



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Local finance fuels Malaysia energy projects

Financiers have just had to. digest the news of further tra-vails at Bank Negara, the cantral bank, in the aftermath of multi-billion dollar foreign

Now Knala Lumpur's bank-ing boardrooms are abuzz with talk about the country's largest ever internally generated debt financing package - a M\$3hn (£820m) loan signed last week for the construction of a Malaysia, whose economy

has grown by more than 8 per cent in each of the past six years, has been suffering power shortages. To speed up the implementation of power projects and spread the finanernment is privatising a large So far five licences to gener-

ate power have been given to independent power producers (IPPs) on a build, operate,

transfer (BOT) basis.

A local company and recipi-ent of last week's record losn, Sikap Energy Ventures, won the licence to build and oper-ate a 1,300MW combined cycle plant at Lamut on peninsular Malaysia's west coast. YTL, another local company, signed a M\$2.66bn domestic loan agreement late last year for financing of a similar IPP proj-

The Sikap loan is made up of a M\$1.5bn fixed rate bond facility from the state run Employees Provident Fund (EPF) and a M\$1.5bn floating rate loan jointly underwritten by Bank Bumiputra, the Malaysian state-owned bank which in the past has been dogged by con-troversy and bad debts, and Maybank, the country's biggest financial institution, also government controlled. Details of the interest rates on the loan were not disclosed

Mr Abdul Aziz Othman, Bank Bumiputra's chief executive officer, said many had expressed reservations about the capacity of the local capital market to fund such a large

project.
"For a project this size, it is remarkable that only three institutions are involved at this stage." said Mr Abdul. He said that both the YTL and Sikap loans showed that Malaysia's capital markets were maturing. Bank Bumiputra Bank and

the EPF also played a leading role in the YTL loan.
YTL is one of Malaysia's

largest construction companies but has little experience at

These are interesting managing power projects. It times for Malaysia's has brought in Siemens of Gerbanking community. many and John Laing of managing power projects. It the work on its power stations. Sikap is controlled by a sub-

sidiary of the Malaysian Resources group (MRCB), a controlled by a group close to Mr Anwar Ibrahim, Malaysia's finance minister. MRCB controls Malaysia's biggest publications group and a privately. run TV station but has no track record in the energy sec tor. Asea Brown Boveri, which will build the Sikap plant, has

Banking debate is focused on two questions: whether it is wise for domestic banks to be so exposed to one sector and why foreign institutions were not involved in such large

Malaysia's banks have benefited from Malaysia's strong

Kieran Cooke on ambitious domestic financing

economic growth of recent years. They are flush with funds. Some bankers say that in the circumstances it makes sense for as much project financing as possible to be generated locally. They say foreign banks have tried and failed to get a piece of the action. "It's all sour grapes," said one local

But this is by no means a generally held view. Malaysia is embarking on a wide ranging programme to build up its infrastructure. A new international sirport is being built outside Kuala Lumpur. A mass transit system is being planned for the capital Multi-million dollar facilities are being built for the Commonwealth Games, due to be held in Malaysia in 1998. Nationwide water and sewerage schemes are under way. Domestic funds could be severely squeezed if more recourse is not made to foreign

borrowings Some financiers say that by diversifying fund sources the IPPs would probably have won better terms. But foreign insti-tutions decided against partici-

pating.

"The whole area of IPPs is still very new," said a Singapore-based merchant banker. BOT arrangements are also largely untried. I think foreign institutions got cold feet about getting involved."

Taiwan power deal

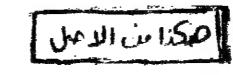
By Andrew Baxter

KWU, the Siemens power generating equipment business, has won a contract worth almost DM1bn (£400m) to equip the Hsinta power station, to be built near the city of Taman on

Taiwan's south-west coast.
The contract, won against stiff international competition, is for a 2,364MW gas-fired combined cycle power station, which Siemens says will be the largest plant in countries with

60-cycle (Hz) networks - North America and parts of Asia. Siemens said the contract, from the Taiwan Power Com-pany (TPC), made it the leading supplier of combined-cycle-technology to Taiwan. It was a result of its increased orientation towards the south-east

Asian market. The Hsinta plant, due for completion in 1998, will have 15 gas and five steam turbines, 20 generators, and 15 heat-re-covery steam generators.



UK government could face European Court hearing and a repayment bill of up to £15bn

Banks appeal over VAT on company cars

حكنات الاحل

By Robert Rice, Legal Correspondent

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The UK government could face a bill of up to £15bn for repayment of value added tax which it appears to have collected illegally on the purchase of company cars since 1978.

Several UK clearing banks, led by Barclays, have lodged appeals with the VAT tribunal claiming that a Customs & Excise "blocking order", which prevents UK businesses from reclaiming VAT paid on the purchase

of cars for business use, is incompati-

ble with European law. They have also complained to the European Commission which has given Britain until June to respond to allegations that it has failed properly to implement the European Sixth VAT Directive or face being taken to the European Court in Luxembourg. The banks say preventing VAT registered businesses from reclaiming

VAT paid on cars results in consum-

ers paying extra tax on their prod

Car leasing companies are particu-larly affected. They argue that the order artificially inflates the cost of car leasing in the UK and places them at a competitive disadvantage to their counterparts in the rest of Europe where VAT on cars is deductible. The banks, on behalf of their car leasing subsidiarles, are claiming repayment of VAT going back to 1978 when the Sixth directive came into

effect in the UK. By the end of last month 37 companies had lodged claims with the VAT tribunal for England and Wales involving amounts totalling up to £1bn. The appeals are due to be heard in the autumn but lawyers expect the tribunal to refer the issue to the European Court.

Customs is known to have calculated that if the VAT order is declared illegal, the government could be faced with a repayment bill of £6bn for the car leasing companies alone. If it has to repay all UK companies which have bought cars for business use since 1978, the total bill could be as high as £15bn, according to the Customs estimates.

Lawyers for the banks say they have waited until now to take action because it only became clear recently that the order could be illegal.

Customs has already carried out a review of the order and is believed to favour replacing it with a VAT sliding scale charge to be paid by companies on the private use of company cars. The cost of transition to a system of

charging private use is estimated at

Britain in brief

Protests over use of D-Day event

The UK government yesterday fiercely denied suggestions that it was politicising the fiftieth anniversary of D-Day to maximise its vote in the June European elections.
The prime minister's office

said: "The idea that Operation Overlord was launched fifty years ago to belp the Conservatives win the European elec-tions in 1994 is ridiculous". Mr John Major was said to

be confident that the government had struck the right hal-ance "of seriousness and fun" in commemorating the events of fifty years ago. Mr Gordon Brown, Labour's economic spokesman, said the

government should mark D-Day by improving the health service rather than organising a few "street parties and com-

In the Commons Mr Peter Mandelson, Labour MP, urged Mr Iain Sproat, the national heritage minister, to revise government plans, in keeping with the views expressed to Mr John Major recently by the Royal British Legion.

Mr Sproat replied: "It is very right and proper that we should commemorate the 50th anniversary of D-Day. We are commemorating in doing that the brave actions and the D-Day.

He added: "We are also commemorating the great good news that followed, namely the overthrow of the evil Nazi tyranny. It is not up to us to say how people around the country should commemorate these things."

Passengers set airports' record

Passenger traffic at BAA's seven UK airports reached a record 82m in the financial year to March 31 1994, up 5.6 per cent on a year earlier, in figures boosted by this year's early Easter holidays.

The highest growth was at Stansted Airport, north of Lonvious year, followed by Southampton at 22 per cent and Edinburgh at 21 per cent. However, the number of passengers passing through Aberdeen fell by 6 per cent.

BBC pledge to Far East

television service to the Far next few months.

The BBC said it had received several hundred faxes and a large number of telephone calls expressing disappointment at the ending of the service. The BBC has since been offered the possibility of a number of satellite transponders which could carry its channel to much of the region.

Haul of false bank notes

Police seized a record haul of counterfeit notes of at least six different currencies in north London. Officers from the South East Regional Crime Squad raided a property in north London and discovered three people in the process of producing between £5m and £6m in sterling notes." The police seized plates and nega-tives for £50, £20 and £10 notes. Subsequent searches revealed sheets of Rumanian, Spanish, Irish and Nigerian currency notes, as well as plates and negatives for US \$50 bills.

40.000 jobs in danger

The engineering industry is likely to shed a further 40,000 jobs in the next 12 months in spite of a forecast rise in output, according to the Engineer-

ing Employers Federation. The job cuts come on top of 400,000 already declared in the industry since 1990, reducing the current workforce by 19 per cent to 1.7m. The federation says 80,000 jobs went last year, but the underlying trend is down sharply from cuts of 120,000-130,000 in each of the three previous years.

Anger over tax timing

Private investors and private client investment managers expressed anger over the tim-ing of last week's government concession on capital gains tax, which could benefit higher rate taxpayers by up to £4,000.

The proposal - to allow tax-payers to continue temporarily to take account of inflation when calculating losses for capital gains tax purposes - is expected to be debated in today's Commons report stage

debate on the Finance Bill. Investors and investment managers welcomed the concession, which followed pressure from Conservative backbenchers and angry private investors. But they said they might have acted differently had they known of the government's proposal before the end of the tax year.

Bright spark

British Nuclear Fuels has paid largest ever award in the UK to an employee for a good idea. The industrial worker at BNFL's Sellafield reprocessing plant won £16,661 for coming up with a plan to increase efficiency, according to the com-

pany's staff newspaper. "Under our suggestion scheme workers receive 35 per cent of the first year's savings if we put their idea into practice," Mr Les Carrick, a senior manmagazine Personnel Today.

April tax rises seen to hit consumer hopes

By Graham Bowley and Philip Coggan

Inflationary pressures remain subdued in the UK, while consumer confidence has been hit by this month's tax rises. according to reports published yesterday.

The news appeared to strengthen the domestic case for a cut in interest rates, but the authorities might be restricted by the Federal Reserve's move yesterday to raise US rates.

Producer output prices - the price of goods leaving factories - rose by 2.7 per cent in the year to March, the lowest annual increase since September 1992, according to the Can-

tral Statistical Office. Excluding food, beverages, tobacco and petroleum, the annual rate of increase was 2.5 per cent

Producer input prices - the cost of raw materials and fuels fell by 2.6 per cent in the year to March, compared with a fall of 2.9 per cent in February.

Figures for producer prices are seen as a leading indicator for trends in the retail prices index. Last week, the CSO reported that the annual rate of underlying inflation had fallen to 2.4 per cent in March.

Meanwhile, the latest Gallup survey of consumer confi-dence, conducted for the European Commission, showed that UK consumers are more pessi-

March 1990.

seeks

role as

arbiter

A City body to settle disputes

among banks, brokers and large companies over imancial

transactions was launched yes-

terday in an attempt to estab-

lish London as the world centre for financial services

The City Disputes Panel, founded by law firms, profes-sional bodies and QCs with the backing of several banks, will

offer arbitration and mediation

services similar to those pro-

vided for the world maritime industry from London

the panel, which will offer arbi-

tration on financial disputes

involving share underwriting

and over-the-counter financial

derivatives, would provide a

counterpart to conciliation

They said it would be able to

settle disputes far more quickly than the Commercial

Court in England and the

Court of Session in Scotland.

Its tribunals of three members

would also be able to operate

The City Disputes Panel,

which is being supported by

the Corporation of London,

will attempt to establish a rep-

utation for efficient arbitration

which will attract banks in

other world financial centres

Lord Kingsdown, the former

governor of the Bank of

England, who is president of

the panel, said the panel would

allow "the speedy dispatch of disputes". The specialist know-

ledge of panel members would

allow brisk settlement of com-

Mr Richard Freeman, the

panel's chief executive, said

the panel would try to attract

banks, fund managers, insur-

ance companies and stockbro-

kers to join at an annual cost

of £400. Only members would

He said the panel would also

like to recruit large companies

which were counterparties to

banks and investment banks in

many transactions on whole-

sale financial markets.

be allowed to refer disputes.

plex disputes.

to settle disputes in London.

at a fraction of the cost.

schemes for small investors.

The founding members said

By John Gapper, Banking Editor

The Gallup survey is watched closely by the UK government and is regularly com-

monthly monetary report on

economic conditions. The Gallup survey has shown a steady decline in confidence this year. The balance of those expecting a decline in their financial position over the next 12 months, as against those expecting an improvement, was 30 percentage points in April, compared with 25 points in March.

Gallup says the figures indicate that the tax increases are having "an acute adverse effect on consumer confidence and give rise to concerns that eco-nomic recovery might be stal-

But it adds that confidence is approaching historically low levels, and is therefore unlikely to fall significantly

Minutes of monthly mone-tary meetings, published last week, showed that Mr Kenneth Clarke, chancellor, and Mr Eddie George, governor of the Bank of England, appeared to agree on March 2 that a further cut in base rates might be justified if signs of economic weakness were accompanied by evidence that inflation was

under control. Figures on unemployment, published tomorrow, and for day, will be closely scrutinised for signs of a faltering recov-

Aerospace Correspondent

United Airlines, the largest US

carrier, yesterday urged the US and UK governments to link

their approval for the proposed

partnership between Mr Rich-

ard Branson's Virgin Atlantic

Airways and Delta Air Lines of

the IIS with the revival of

broader negotiations on a new

transatlantic aviation agree-

ment between the two coun-

Mr Stephen Wolf, United's

By Paul Betts,



West Indies' batsman Brian Lara shows his relief yesterday after breaking the 36-year-old record for a test match score

Brian Lara hits record test innings

By Canute James

Brian Lara has never done things in half measures. Yesterday's record-breaking innings of 375 against England in the final test match in Antigua was the third time in his short and phenomenal career that the 24-year-old Trinidadian has gone pest 100 runs.

He scored 277 against Australia just over a year ago, and 168 in the second test against England in Guyana last month.

proposed Virgin-Delta deal

required changes in the bilat-

eral aviation agreement

The Virgin-Delta ticket code

sharing partnership, which requires US and UK govern-

ment approval, should provide

the impetus to produce "sub-

stantive amendments" to the

current bilateral to correct "a

variety of long-standing defi-

ciencies in the agreement", Mr Wolf told the Aviation Club of

United's position is likely to

Great Britain.

between the US and the UK.

Caribbean had never doubted Lara's talent, many were surprised that he has made it to such dizzying beights in world cricket so quickly.

Ironically, it was Sir Garfield Sobers, the world's greatest all-rounder, whose record Lara broke yesterday, who first spotted the pascent talent when Lara played in a Barbados school competition. There were no regrets yesterday from Str Garfield. "A better person could not have broken the record," he said after

ment's efforts to revive the skies" and access for US carri-

ers into Heathrow.

United in particular wants

changes to the existing agree-ment to allow it to serve its

main US hub of Chicago from

Heathrow. But it also favours

the UK's gradual approach to

did not favour an "all or noth-

ing approach" but was urging

tify "discrete areas in which

progress is clearly possible and

focus their immediate negotia-

ting efforts on those areas".

Mr Wolf stressed that United

two governments to iden-

boundary to rewrite cricket history. It was the top test score ever - beating Sobers' own 365, and Hutton's 364.

"This is the best day of my life," was Lara's almost inevitably understated sun-mation of his achievement, as he agreed that the last 46 runs to reach the break the record were the hardest of his career. Any test innings by Lara is now likely

to be anti-climactic, but it would be unwise to bet on it. Lara's precocity While the cricket cognoscenti in the Lara pulled Chris Lewis to the mid-wicket be broken," he said.

Mr Federico Pena, his US oppo-

gite number, in the next few

days to follow up on the oppor-

has given the two governments

to re-open negotiations.

Before forging its alliance with Virgin, Delta had urged

its government to block the

current ticket code-sharing

arrangements between British

Airways and USAir, the sixth-

has a 24.9 per cent stake.

largest US carrier in which BA

City panel | United presses for new deal on air routes Mr John MacGregor, the UK transport secretary, is hoping to hold preliminary talks with

BBC World Service Television hopes to resume its satellite East from London within the

The service on the northern beam of the Star satellite system covering areas such as China, Hong Kong, Taiwan and the Philippines was switched off at midnight last night following a deal with Mr Rupert Murdoch's Star TV.

chairman, yesterday said the strengthen the UK govern-Osaka developer | Companies hope for end to Malaysia trade ban joins Virgin in

By Raymond Snoddy

Mr Richard Branson's Virgin Group is exploring with Japanese partners the possibility of launching an international trade centre in the heart of London near the House of The plan emerged yesterday

as Virgin Hotels and Shirayama Shokusan of Japan outlined their objective to develop jointly the old County Hall building on the south bank of the Thames into a hotel and entertainment complex.

County Hall, completed in 1922 for the capital's first democratically elected local government, later became the platform for controversial left-wing policies as headquarters of the Greater London Council

When the the GLC was abolished by the Conservative government it left London as the only European capital without a single local government authority.

Shirayama Shokusan bought County Hall and with Virgin will turn it into a botel with 570 bedrooms in the first phase which could later be extended to 1,250 bedrooms. There will also be a virtual

reality entertainment centre, a large "walk through" aquaria and sea life centre, conference centres, full check-in facilities for Virgin Atlantic and other selected airlines" and a wed-

London project ding chapel and reception facil-

> Shirayama Shokusan bas now been offered a building adjacent to the County Hall complex which has been occupied by the body carrying out residual services for the old Greater London Country.

The more modern building designed in the style of County Hall does not have a preserva tion order on it and could be demolished. Mr Branson confirmed yesterday that the Japanese com-

pany is now considering a proposal to buy the building and operate it with Virgin as an international trade centre. Shirayama Shokusan, a private property development company based in Osaka will

end up spending around £150m

in the purchase and develop-

ment of the complex.

Virgin will invest about £5m and will be a 50 per cent shareholder in a new company which will lease the centre from the owners for 30 years and manage it on their behalf. Mr Branson said yesterday there were plans to link County Hall by bridge to the nearby Waterloo international rail centre where trains will depart for the Channel tunnel. To complete the link with rail Mr Branson is also interested in getting involved in manag-

ing rail services through the

Channel tunnel itself.

By Kleran Cooks in Kusia Lumpur

bilateral talks after the US

walked away from the negotia-

The US has insisted on

greater access immediately for

Heathrow airport as part of any new "open skies" agree-ment with the UK.

The UK, which is seeking

more access into the US domes-

tic market for UK carriers as

well as the lifting of restriction on foreign ownership of US air-

lines, is proposing a gradual

tions earlier this year.

British defence companies hoping to win contracts in Malaysia say they are hopeful that a Malaysian ban on doing business with companies from Britain will be lifted soon.

Malaysia announced the ban in late February in retaliation for unfavourabie British press reports about Malaysia - in particular about Dr Mahathir Malaysia has been a big buyer of Brit-

ish defence equipment in recent years and British companies form the largest

which opens here today. General Borhan Ahmad, head of Malaysia's defence forces, said Malaysia would continue to use British-made equipment and hinted that further purchases from Britain could be made. "We can't just throw our British equipment into the river and forget about it."

Some British companies seized on the General's comments as evidence of a shift in Malaysian policy, but others were less hopeful about an early resolution to the row. They point out that Malaysia seems

the Sunday Times, which suggested that bribes had been offered to Dr Mahathir in exchange for a government contract, or an official British government statement condemning the actions of the British media. Some British ministers have critic-

to be asking either for an apology from

ised the British press, but Mr John Major, the British prime minister, has described the Malaysian move as "not remotely justified." Mr Najib Abdul Ragak, Malaysian

defence minister, has repeatedly said that Malaysia would not consider buyment until the row is settled. Dr Mahathir has said Malaysia will not change its policy "until the British press stops telling lies." Lord Cranborne, Britain's junior Defence Minister, is due to meet with

Mr Najib here today. For several months a British parliamentary committee has been investiga-ting the linkage between a £234m soft. loan to Malaysia to build a hydro electric dam and multi-million-pound sales of British arms to the Malaysian

Export rules tightened ahead of report

Jimmy Burns looks at efforts to close loopholes in the wake of the arms-to-Iraq inquiry

THE government has been tightening export I regulations in a move that may pre-empt some of the recommendations of the Scott arms for Iraq inquiry.

The DTI has briefed companies in recent weeks on the new regulations, which mainly involve applications for licences on potentially defencerelated dual-use goods. The regulations particularly affect machine tool companies.

industry executives say the Department of Trade and Industry has revised and updated licensing forms to include detailed questions about the end-use of goods. Companies are being asked

whether machine tools for export can be used in nuclear or chemical warfare manufacturing. They are also being asked for detailed statements from customers on the

Lord Justice Scott is thought to be considering recommendations on reforming export procedures. His inquiry has heard evidence that ministers, officials and executives connived in exploiting loopholes. Last summer the judge wrote to business leaders, trade

unions, government depart-ments and politicians seeking proposals for reform of the procedures, which failed to prevent the export of machine tools used by Iraq to build up its military and nuclear capahility. Britain sold nearly \$93m in machine tools to Iraq between 1987 and 1989 - more than manufacturers in the US, Italy, and France put together,

according to official UK fig-

Last night the DTI denied that it was reacting to or pre-

said tighter licensing proce-dures had been introduced in the aftermath of seizure of final destination of exports. longe range parts for the Iraqi supergun in April 1990. Three weeks ago, the DTI launched a new Code of Practice and an export control training initiative which it claims is aimed at making it easier for companies to understand the licensing

> The new initiatives at the DTI have drawn mixed reactions from within the machine tool industry.
>
> Mr Malcolm Taylor, managing director of Bridgeport

Machines, said a licensing system that aimed to control the movement of machine tools was "totally impracticable".

At the industry's annual trade fair in Birmingham last week, Mr Taylor said the enduse and and-user of a sophistiempting the Scott inquiry. It cated dual-use machine tool

was a "moving target" which the exporter could not control. He was also critical of the impact on the machine tool industry of the Scott inquiry. "I would have preferred it if the Scott Inquiry had never happened. We are washing our dirty linen in public and hanging it out for all the world to see. There is not a country in

the world that punishes its exporters in the way we do." However, Mr Keith Bailey, chairman of BSA Tools, one of

the companies most directly affected financially by the arms-for-Iraq affair, said the Scott inquiry had forced the DTI to be clearer in describing its policy to business leaders. Mr Bailey said: "In the pre-Scott days it was very much a nod and a wink with the DTI saying - 'we don't want to know about your goods, so

don't tell us, carry on'. Now

the DTI is in effect saying 'you tell us everything and we'll tell you what you can do and how far you can go'. Policy is understood."

He said machine tool companies were exporting to other militarily sensitive countries like China, India, and Pakistan, with DTI permission.

But he also regretted the negative exposure the British machine tools industry had got from media reporting of the Scott Inquiry, which he said risked putting British companies at a disadvantage.

Mr Bailey was cleared at the Old Bailey in November 1991 when customs and excise dropped a charge against him of evading export controls in selling machine tools to Iraq. He was prosecuted after he had become involved in the purchase of Matrix Churchill from

Report on the

future of the USM

On Thursday the board of the

London Stock Exchange will

Market should be replaced.

a wide range of stock market

practitioners, venture capital

houses and the directors of

in March. But the Exchange

is unlikely to release the raw

sinvey material or any

for at least a month.

catch a glimpse of findings from

a Mori survey gauging whether or not the Unlisted Securities

The survey conducted among

delivered to the Stock Exchange

When the Stock Exchange's

Smaller Companies Working Party finished discussing the

case for an "enterprise market"

last year, market practitioners

Since then Michael Lawren

soundings from advocates of

a new enterprise market, some of whom now sense a greater

degree of support. The USM closes at the end

the Stock Exchange's new chief

idea from the Exchange. ..

executive, has been taking

ed hostility towards the

nendations to the board

ast week the UK government asked the Law Commission to carry out a feasibility study on whether company law could be made more relevant for small and mediumsized companies.

In granting the Commission wide terms of reference, Neil Hamilton, the corporate affairs minister, said he wanted to ensure company law achieved its aims in the simplest way while imposing the "minimum burdens on business".

To some this review is long overdue. As it stands, the Companies Act covers every incorporated company from the multinational with thousands of employees to the family-owned company employing a handful of people.

Large parts of the law define the responsibilities of directors in PLCs where management is divorced from the shareholders who control the company. Yet for many smaller companies, the separation of owner-ship and control is a fiction only recognised by the Companies Act.

Many requirements, like holding annual shareholders meetings, circulating agenda and even board meetings are not relevant and either do not happen or are timewasting formalities. Owner-managers are more likely to discuss important business matters over breakfast than in a board meeting.

One option the Department of Trade and Industry wants the Law Commission to examine is the feasibility of a bybrid limited liability partnership that would fall some where between an incorporated company and the sole trader or

> British government help for UK

exporters used to come from the

Commonwealth

Office, scattered

through embassi

around the world.

more relevant to smaller concerns

Richard Gourlay reports on plans

to make the UK Companies Act

Inventing a hybrid

partnership.
Yet despite the apparent need for a review, the announcement of the Law Commission's study has provoked a less than overwhelmingly positive response. Some small business groups say it is "an example of government tendency to focus on

the wrong issues". If the DTI had really wanted to cut what the corporate affairs min-ister called the "burdens on business", they add, it would have focused on cutting the cost busi-nesses incur complying with government regulations.

Graham Bannock and Partners, the private-sector research group specialising in the smaller business sector, estimates 2 per cent of gross domestic product is spent by UK companies on compliance - that is understanding and compiling PAYE, VAT and National Insurance

returns and dealing with their respective inspectors.

Business spends an amount equal to a further 2 per cent complying with other business regulations such as health and safety requirements, and sick pay. And smaller companies bear disproportionately more of this compliance cost relative to their turnover because of diseconomies of scale - it takes a bookkeeper almost as much time understanding and compiling a pay-roll for five people as it does for 25

people.

While changes to company law might bring modest benefits compared with a move to allow companies to file all their tax returns on one form and subsequently deal with one government inspector, the Law Commission's feasibility study is nevertheless a valuable exercise. "I could probably take you MULTINATIONAL PLUMBER

BILL SMITH

through a large part of the Compa-nies Act and pick holes in it in terms of its relevance to smaller companies," says Diana Faber, the Law Commissioner in charge of the study. "However, the interests of creditors in businesses are as important to the economy as the interests of small businesses." In examining the feasibility of the

hybrid limited liability partnership, the Law Commission will be able to draw on the Gower Report Iaid before Parliament in a green paper in 1981. Professor Jim Gower's recommendations were not taken up because of lack of support from business at the time but his propos-als are nevertheless instructive. Gower proposed a limited liability

partnership designed for small family concerns where there were fewer than 10 partners or "members". Unlike the widely used ordinary partnership, the limited partnership would have a legal personality. This would mean it could contract to take on debts by giving banks a floating charge over its assets,

As one of the main reasons for incorporating is to raise finance via floating charges, the limited partnership could help many family-owned businesses avoid incorporating Gower suggested this partnership would have to file accounts - presumably to provide some protection to unsecured creditors who could not take legal action against the assets of the members" whose liability would be

And in an attempt to avoid reinventing the wheel, the Law Commission is also likely to look at the experience in countries such as Canada, the US and South Africa where new corporate structures have been established.

Lastly, the Commission could recommend no changes to company law, on the grounds that no reform would help. One problem the Law Commission faces is identifying exactly why owner-managed businesses incorporate. The status of limited liability is one factor. Tax is another and probably the single issue that will make or break any recommendations for change.

The Law Commission will have to steer a path that makes any new hybrid legal entity acceptable both to the Treasury and to the owner-manager's pocket.

a professionally written news story aimed at securing editorial coverage in appropriate media in

of 1996 but no new listings will be accepted after this year. Those who support a replacement argue that if target markets.

Trade Missions, organised by investors cannot see an exit route for their investments they Trade Missions, organized by chambers of commerce or trade associations, are subsidised. Many companies find them a chesp way of sampling a market at first hand and for making contacts for subsequent visits. Reciprocal social obligations will usually involve are less likely to provide capital at an early stage to small but potentially rapidly growing companies. **BVCA** members attending a couple of receptions. The Programme Arranging Service usually builds on market

invest £1.4bn

UK venture capitalists invested £1.4bn in 1,202 companies worldwide in 1993, almost the same amount as the previous year, according to the British Venture Capital Association. Nineteen per cent of the number of financings were in start-ups and early stage es. By value management buy-outs and buy-ins accounted for £769m. or 62 per cent of the amount tovested. The average size of MBO/MBI increased by 38 per cent to £3.3m.

EXPORTING

Help when you're all at sea

Ian Hamilton Fazey offers a run-down of places offering advice to traders

along with the Department of Trade and Industry in the UK. But for the last two years government initiatives have been run by a joint directorate known as Overseas Trade Services. Industrial leaders, senior civil

servants and export lobbyists say services are improving; nevertheless, where to go for advice has always been a problem for small businesses. The latest attempt to solve it, a planned nationwide network of 200 one-stop shops called Business Links, is supposed to end the confusion presented by an array of enterprise encies, chambers of comme training and enterprise councils and other initiatives.

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credentials is interested in start-up/acquisition opportunities in the above business sectors. Individuals or team principals

are invited to provide an opening proposal.

Write to Box B2837, Financial Times, One Southwark Bridge, London SE1 9HL

ent source with established indus

cardy looking to extend its operations in England & Wales by appointing distributors to supply the Health & Fitness market.

However, there are only a handful of experimental ones at present – and probably only about

Secretarial services
Photocopier, Fax, W.P.

Probably the Worlds largest manufacturer of Fitness & Coo

60 or 70 will play a "hub" role. For the moment, one way of tapping into overseas trade services is to telephone the nearest regional DTI office, or the Welsh Office, Scottish Office or Northern Ireland Industrial Development Board. Information is the prime tool available, much of it generated

by the government at taxpayers' expense. Indeed, the Treasury is making the DTI justify the £173m annual cost. This annoys the CBI and people like Ian Campbell. director-general of the Institute of Export, who say the UK's foreign titors do similar things and the UK cannot afford not to. A quarter of the staff of the Foreign and Commonwealth Office are in commercial posts. There

are 203 sections around the world,

Conference facilities
 Flexible Lease Terms

of which 12 are in the US, seven in Germany and five in France. British staff in each section do a four-year tour of duty, supported by local staff. About 6,000 market information reports are produced each year, so the information base is vast and should be helpful, if only as a starting point. It can be supplemented by other services. The Export Market Information Centre in London (07), 215 5444/ 5445) allows you to do your own desk research from government latabases, published directories, trade statistics and market reports. There is an automated service matching companies to new export intelligence received daily by DTL. This is available through Prelink

cess from your office computer to all its export intelligence through FT Profile (0932 76144). the electronic database owned by the Financial Times. Market Information Enquiries will assemble a tailor-made package of information on export opportunities for products, ses or services. It charg £35 for basic information and then in four-hour units for more complicated inquiries ranging from an initial £70 up to £355 for tween 16 and 24 hours' work. The Export Marketing Research Scheme is more specific and detailed, providing professional advice and financial support, whether the work is done in-ho

Service will help find a representative overseas through the government's own experts in the market concerned. The charge is £355 for up to 24 hours' work, £710 for up to 48 hours and £1,065 for longer.

Overseas Status Reports provide assessments of the suitability of

potential representatives or companies you want to do business with, but not creditworthiness. Charges are similar to those for Market Information Enquiries. Trade Fair Support pays for half the space and gives a fixed construction grant for up to three exhibitions in each market, but up to five in Japan and some parts of Germany and the US. New Products from Britain is

a media relations service; £60 buys

visits by local commercial experts and a de-briefing afterwards to help you consider your next steps. articles have appeared on February 1, 8, 22, March 8, 22, April 5.

information obtained through Market Information Enquiries,

the Export Marketing Research

Representative Service. It helps.

arrange appointments and gives

advice on local business and

culture in your target market.

further, offering accompanied

In-Market Help goes one step

Scheme or the Export

COMPANY NOTICES

AB ELECTROLUX

TO THE SHAPEHOLDERS OF AKTIEBOLAGET ELECTROLUX

The ANNIAL CENERAL MEETING of the Company will be held at 3 per on Thomson May 5, 1994 to the Main-Shift of the Concert Hall at Historyst in Stockholm.

Ordinary husiness
Martiera prescribed by the Sworlish Chapmanes Act 1975 and by the Company's Articles
of Association including, justifulla, presentation of the should report and accounts and
the auditor's report on the Company and of the consolidated annual accounts and the
auditor's report on the Griver, resolvences on the adoption of the profit and loss
stripeness and the baseous should off the consolidated profit and loss statement and the
consolidated bulence shout; on appropriation of the Company's profit according to the
adopted behave about; and the autobations on the Directors' and the Maraging Directors
declared from Baldine and on the destreet of Directors' must be Directors of Auditors
of Auditors ge from Bubility and on the election of Directors, Deputy Directors and Amilio

Amendment of Articles of Association one.

The proposal of the Board of Discotors that the AGM pass a resolution whereby the Company should become a public limited company, according to the new provisions of the Company about become a public limited company, according to the new provisions of the Company about become a public limited to propose to the new provisions of the Company of Association should be amended to read: "The resolution of the Company is Aktichologic Electrolius (pub)".

ementioned resolution of the meeting shall apply provided that Parlianees to government proposal regarding public timined companies without any major

Shareholders who intend to purifying in the ACM must be registered with the VPC AB.
Swedick Securities Register Center) not later than Monday, April 25, 1994. Shareholders
whose shares are negistered through hands or treatons must have their shares registered in

(Subtract Securities required through hories their own matter at the VPC in good time. in addition to the above registration, notice of intent to perticipate enust be given to Sectrolus not inter than 4-pm on Monday, May 2, 1994 by mail to AB Silectrolus, Dept. C.I. S-105 45 Snockholm, Sweden, or by telephone: at lat +46 8 738 6793 or 738 6799.

Notice should include the elements of the summe, registration number if any, address and subphone number. Shoreholders participating by proxy must arbuik a copy of the passy-nationization prior to the date of the ACMs.

Subject to endorsement by the AGM of the Bourd's proposal of May-18, 1994 as reconciliation that, it is expected that dividends will be paid by the VPC on May 18, 1994. THE BOARD OF DIRECTORS



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the Companiest Act 1985 that the above-size company has reproved a payment out of cap for the purpose of cancelling its own planus, redemption. The munosat of the parentess capital payment in the chapter is mountained. LIUS_BAQ and the resolution was granted on Azar-April, 1994. The stantony decideration of the directors and the antifittent report required by section 173 of the sale Act are available for inspection on the company's registered officers, it is Regense Park Road, Londons, NW: BUR_Any creditor of the company may at any three within the five weeks temmediately, indicating 12th April, 1994 supply to the count sughr scients 176 of the salet Act for an order probability, the promotes. DATED 12th April 1994.
T N Heywood-Lousdale, Company Secretary

The alfa

Mechan

John St

Вгадени NIO MA

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For further information contact the joint administrative SRE Hancock

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For further details please apply to Alan J. Sutton, Baker Tilly, Chartered Accountants, Brazermose House, Lincoln Square, Manchester M2 58L. Tel: 061 834 5777. Fax: 061 835 3242.

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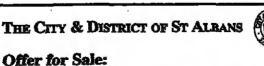
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INVITATION FOR THE DECLARATION OF INTEREST FOR THE PURCHASE OF THE ASSETS OF "ALTIS TOURISTIKO AND EMPORIKO KENTRO A.E." ("ALTIS TOURISM AND TRADE CENTRE S.A.")

The societe anonyme under the title "ASTIKA AKINITA A.E." (43 Panepistimiou Street, Athens 105 64) with the capacity of special liquidator of the societe anonyme under the title "ALTIS TOURISTIKO AND EMPORIKO KENTRO A.E." with head offices in Ancient Olympia, by virtue of the provision of article 46a, Law 1892/1990 which was added to the provision of article 14, Law 2000/1991 and Resolution No. 357/1994 of the Patras Court of Appeal.

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FINANCIAL TIMES

Kuenssberg takes over at Dawson Financial

Edinburgh-based textile group, has reorganised itself to take account of the closure announced last month of its fleece and jersey business in the US, which caused it to make provisions of £50m. Philip Kemp, who built up the company's US operations and ran them as Dawson Consumer-Products, has resigned and leaves the board.

Nick Kuenssberg (right), formerly ceo of Dawson Premier Brands, the other division which handled the company's

becomes and of the entire company under executive chairman Sir Ronald Miller. The two division structure, which was only introduced two years ago, disappears and the remaining US operations will report to Kuenasberg. Kuenssberg, 51, joined Daw-

son in 1991 from Coats Viyella. Peter Forrest, 55, md of premier fibres and yarns, becomes a director. He joined Dawson in 1991 after working for the Legier Stoffel textile group in



Finance moves

James Downie Smith has been promoted to the board OF WALTER SCOTT & Paul Mead has been

appointed sales and marketing director of Lombard NATWEST Commercial Services. ■ Stephen Attenborough, marketing director, and Nick

Hodges, client services director, have been appointed directors of GARTMORE Pooled Pensions ■ Gordon Younger, formerly director (transmission) at The Co-operative Bank, has been appointed chief executive of BACS on the retirement of

■ Peter Behmont has been appointed md of Euroban, the London arm of ECOBAN FINANCE; he moves from

appointed director in HAMBROS BANK'S commercial banking and asset finance division; he moves from the Australia and New Zealand Banking Group.

Mark Wastlewski has been appointed head of UK equities at NATWEST Investment Management; he moves from CIN Management.

David Beech (below left)
has been appointed marketing
director at FORWARD ASSET FINANCE: he moves from Lloyds Bowmaker.

Shaun Powell (below right)

has been promoted to

RARCLAYS Card Services

Bruce Sutherland has been

 Andrew Dyson, formerly with Barclays, Peter Geldart, formerly an md with Citicorp International and David MacMillan, formerly a director at Fieldstone Private Capital Group, have been appointed to SALOMON's global independent Power Group. iverpool office in succe

icined the board of Edward Billington & Son. : appointed cao of LEOPOLD JOSEPH HOLDINGS (Guernsey), on the retirement

of Tony Taylor, he moves from HSBC Holdings David Williams, director and general manager of the banking division, has been appointed chief executive Bank of Wales Group, part of the BANK OF SCOTLAND,

health of NHS

The National Health Service Executive has for the first time appointed an insider as director of finance. Colin Reeves, finance director for the North West Thames regional health authority since 1986, will succeed Gordon Greenshields whese secondment from Coopers and Lybrand, the accountants, is due to end this month. Reeves, 45, has an economics degree from Clare College, Cambridge, and a doctorate in monetary economics from Bangor University. He qualified as an accountant in local government, joining the health service in 1984 as deputy finance director for North West Thames. In the past two years he chaired a group on costing. be responsible for the financial ment of the health service. His priority will be to ensure that health authorities and trusts have sound linancial plans and systems to deliver the improvement in services the government wants to see from its reform pro-

At North West Thames. Reeves worked under Alan Langlands, who was general manager of the region before becoming NHS chief executive at the beginning of the menth. His appointment follows an open competition which attracted a wide field of candidates from the public and pri1000年 1000年 1000年

Harrison builds on his career at Tarmac

Roy Harrison, 46, has been appointed chief executive of Tarmac's housing division, Britain's biggest housebuilder. He will take over from Sam Pickstock who reaches 60 in. August, the normal retirement age for Tarmac directors.

Harrison, who joined Tarmac ing director of Tarmac's building materials division. He replaces the man who was the architect of Tarmac's rapid ing the 1980s.

The housing division, however, was strongly criticised when it failed to react early enough to the collapse of the UK housing market. The com-pany continued to buy expen-sive housing land when prices As a result, Tarmac was required to make substantial provisions against its housing operations, but, along with ether UK housebuilders, the division is enjoying a resur-

Harrison will be replaced as md of the building materials division by Anthony Hopkins; until recently vice president Tarmac America, responsible for the group's Florida operations. John Carr, formerly md of Tarmac Mid-At-lantic, has been appointed ceo of Tarmac America.

Perkins family, mainstays of director of Travis Perkins Sandell Perkins, the builders Trading, the company's main merchants which merged with - subsidiery, a position he has

are stepping down.

David Perkins, 57, is retiring as md of the merged Travis Perkins group at the end of June. His brother Timothy Perkins, who is 60 in June, is also retiring as an executive director of the group although he will remain non-executive chairman. Company policy is that senior executives retire between the ages of 57 and 60; etween them the two brothers

rivals Travis Arnold in 1988.

David Perkins will be replaced as managing director of the group by Ted Adams, 53, who will remain managing

hold less than 5 per cent of

Travis Perkins shares.

tant, joined timber merchants Sandell Smythe and Drayson in 1968. He became finance director of Sandell Perkins four years later, subsequently becoming executive chairman of Sandell Perkins.

en promoted to group finance director of Y.J. LOVELL (HOLDINGS) on the retirement of Trevor West. Geoffrey Taylor, chairman European Convention for Constructional Steelwork, has been appointed sales and marketing director of Watson

Kevlar* Nomex* and Tyvek: Protecting the protectors.

irefighters, policemen, pilots and other helpers must often risk their necks to save lives. This takes a lot of caurage. but it also takes the right sort of equipment to do the job professionally. Such as protective apparel made from DuPont fibers to effectively reduce the hazards involved.

Thousands of rescuers have in fact been spared severe injuries, or a worse fate, thanks to products developed by DuPont.

NOMEX for firefighting missions In fires, seconds can mean the difference between life and death. Fireman Rolf Blum was quite aware of that when rescuing a three-year old girl

> Saits which offer prolonged protection pask back the pain thresheld

from a blazing house: he was wearing a protective uniform of light-weight, flame-resistant NOMEX III. In direct contact with flames, such suits offer prolonged protection, push back the pain threshold. Wovens of NOMEX III maintain fabric integrity under flame and heat, which is a most effective contribution to protection against burn injuries. It is for these reasons that West Midlands, one of England's biggest fire

brigades, opted for

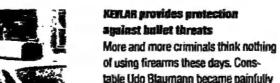
NOMEX "Delta T", a

product specially deve-

loped for firefighting requirements. The

safety of rescue teams is increasingly valued among our Eastern neighbours, where more and more fire services are being equipped with intervention uniforms made of NOMEX. How these can save lives in mishaps was recently experienced by a Hungarian helicopter pilot. Fuel suddenly ignited right in the middle of refuelling. He found himself engulfed in an enormous ball of fire from which he escaped unharmed

thanks to his workwear of NOMEX III. He was even able to extinguish the fire, thus avoiding complete loss of his aircraft.



of using firearms these days. Constable Udo Blaumann became painfully aware of this when he was hit in the region of the heart by a bullet fired from a pistol only six metres away. Luckily, he was wearing a ballistic vest of KEVLAR - so he survived unharmed.

Equally effective are the seamless, cut-resistant surgeons' gloves

KEVLAR is a para-aramid fiber developed by DuPont, and wovens for ballistic vests are among the products for which it is ideally suited. Some of them weigh less than two kilos so they easily fit under a uniform. To date, such vests have saved the lives of more than 1,500 policemen - now members of DuPont's KEVLAR "Survivors Club".

In cooperation with industrial and research institutions, DuPont stages seminars on safety. Working together with authorities across Europe, these serve to foster further development of protective garments.



Seamless, cut-resistant surgeons' gloves may be less spectacular, but made of KEVLAR they are equally effective in protecting against accidental scalpel cuts and resultant infections when operating on, for example, HIV-atflicted patients.

TYVEK wards off invisible danger Safety standards are exceptionally stringent in the nuclear industry. A major problem in handling radioactive materials being that potential danger can be neither seen, felt nor smelled. Staff in high-risk areas must

therefore be permanently protected by proper apparel. Yests of KEVLAR and swits af

TYPES Pro-less protestive apports

MAKEX or TYVEK comply with highest quality standards and European norms This is where TYVEK has long proved

its outstanding advantages. Developed by DuPont, the spunbonded material

more than 97% of minute, invisible particles down to 0,6 microns. Skin contact with radioactive particles is thus precluded. Particles cannot cling to the smooth,

acts as a tight barrier that retains

antistatic, lint-free surface of TYVEK. Moreover, it

is tear-resistant, pleasantly supple and light-weight, and won't be affected by moisture or chemicals. To meet the exceptionally high demands needed in the field of protective apparel,

DuPont has teamed up

with the industry to develop the quality assurance programmes needed for gloves and ballistics vests of KEVLAR and for suits of NOMEX or TYVEK. These comply consistently with the highest quality standards and the most recent European norms - so that our rescuers can be assured they are being protected

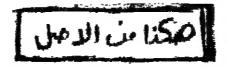
Innovations by DaPont NOMEX, TYVEK and KEVLAR were developed by DuPont's Engineering Fiber Systems, as were SONTARA, TEFLON, TYPAR, CORDURA, ZEMDRAIN and high tenacity NYLON, All of these products continue to add new benefits to all manner of applications - from household goods right through to space travel.

DuPont is one of the world's leading suppliers of engineering fibres. In Europe alone, it has invested almost \$ 600 Million in production facilities to better serve local market needs.

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BUSINESS AND THE LAW

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British Customs Excise "blocking order" which prevents businesses from recovering Value Add Tax on the purchase of company cars is illegal and should be lifted, according to Will UK clearing

The banks, led by Barclays and Royal Bank Scotland, have lodged an appeal with the VAT Tribunal which claims the blocking order is incompatible with the European Sixth Directive on VAT. That forms the principal measure for the harmonisation of VAT in the Euro-

pean Union.
If they win their case, the banks stand to recover hundreds of mil-lions of pounds in VAT paid by their leasing operations on the pur-chase of cars for leasing since 1978 when the Sixth Directive came into effect in the UK.

That may be only the tip of the iceberg. Since news of the appeal first leaked out, some of the "Big Six" accountancy firms have been advising their leasing company cli-ents to lodge claims for repayment of VAT with the VAT tribunal as a

precautionary measure.

According to Mr Dominic Taylor, a VAT specialist with City solicitors Ashurst Morris Crisp, who has been advising the banks on the issue, six weeks ago a total of 37 companies had lodged protective claims involving amounts up to £1bn. Since then, claims have been coming in on a

Customs & Excise estimates that if the blocking order is declared unlawful and the government has to repay VAT on the purchase of cars back to 1978, it may face a repayment bill of up to 16hn for the leasing companies alone. If it has to repay all the UK companies who have purchased cars for business use during the same period, the total bill could be as high as £15bn. Sources at Barclays indicate that

the appeal was lodged in order to force a change in the law, not to recover huge sums in VAT repay-ments. Other leasing companies are thought to feel the same way. But Mr Taylor says many of Britain's companies operating large company car fleets will have no such qualms. in either case, the government faces

a significant tax problem. By the VAT regime, businesses which make goods or provide ser-vices subject to VAT are allowed to deduct the VAT or "input tax" on. goods and services which they buy-in. This ensures that VAT is

not paid on more than the full value of the finished product. The UK has had a blocking order in place since 1973 which generally. prevents deduction of input tax on cars. The order does not apply to car dealers, who re-sell cars as new, to taxis, or to ears bought for short term hire by companies such as

Fortune in VAT rests on company car rule

An appeal to lift a Customs & Excise order may involve a government bill of up to £15bn, writes Robert Rice

Hertz. The impact of this blocking order on cars bought by leasing companies for leasing purposes is

If a leasing company buys a car for £10,000, it pays VAT at 17.5 per cent on the purchase price which it is not allowed to deduct. The total cost of the car is thus £11,750. If it then leases the car on a three-year lease to another company, the leas-ing charge will be calculated on a base cost of £11,750, to which will be added interest over three years plus

charges for maintenance and so-on.
That figure is divided by 36 to
give the monthly charge of the
lease, on which a further 17.5 per cent VAT is payable by the lessee "This clearly represents a form of double taxation which is contrary to the principles of the European Sixth VAT directive", says Mr Tay-

The impact of the blocking order on companies which make goods or provide services subject to VAT is not so significant, as they can deduct the 17.5 per cent VAT on the

actual leasing payments, he adds.
But the order has the effect that
it raises the base cost of leasing
cars, thereby putting UK company fleet hirers at a disadvantage to other EU member states where the deduction of VAT on the purchase of cars is allowed.

That is of concern to the UK lessing industry, which is worried that, as the European single market omes more firmly established, it may lose the custom of UK company fleets to the more competi-tively priced European market. But their real concern is that the

blocking order severely restricts the car leasing market in the UK by making leasing prohibitively expen-sive for businesses such as banks and insurance companies, which do not supply taxable goods or ser-vices, and which therefore can not deduct VAT on lease rentals.

A bank which wanted to lease a car for an amployee would effec-tively be taxed on the lease at a VAT rate equivalent of between 38-40 per cent, Mr Taylor says. The net result is that banks and

insurance companies, the Post Office, the health service, educational establishments, and other big business users of cars, do not lease



Through the roof: many companies with car fleets will claim backpayment

Perhaps more importantly, neither do private individuals, who tend instead to opt for hire pur-chase agreements where there is only one charge to tax.

For companies which buy rather than lease their there is ably an element of double taxation in the VAT peld by consumers on the final value of their goods and services. Most would be happy for the blocking order to be lifted so that the cost of purchasing com-pany cars for business use could be

hy, if the blocking order was outlawed in 1978 by the Sixth Directive, has it taken so long for the leasing companies via their parent banks to challenge

little they could do to change it. The directive allows states to retain some blocking orders if they were in place before it came into force. But it now appears that the UK cars order does not fall into the category of allowable crders.

The banks made a complaint two years ago to the European Commission in Brussels against the UK as they recognised that the approaching Single market could further undermine their position in the leasing market. That took place under article 189 of the Rome Treaty, for failure to implement

properly the directive.

The Commission took it up and began discussions with the UK government, which has until June to remedy the situation or face pro-

so they lodged an appeal with the VAT tribunal and put in claims for repayment of tax not deducted point that in 1976.

Barclays leaking the way down purely "to gain Customs' line ition", at a recover line worked. I Taylor although Customs is believed to have been aware that the order might be illegal for more five years, it has responded positively. It has carried out a review of the blocking order and put a paper to ministers. The likely outcome is that the blocking order will be abolished in next year's finance bill.

There will be a quid pro quo however. Part of the reason for not allowing VAT deduction on cars is the high proportion of private use of

company cars.

Leasing companies do not use cars at all for private use, so they should get the full VAT deduction once the order is lifted. But in comprivate as well as business use, Cus-toms wants a charge to VAT to reflect the extent to which cars are

used for private purposes.
It is considering introducing a
VAT scale charge along the lines of the Inland Revenue's scale benefit charge to income tax paid by individuals on their company cars. The VAT charge would be payable by companies, but there would still be a saving to the extent that the charge would not be payable on business use. Companies such as British Telecom, which only allow company cars to be used for busipurposes, scape the AT charge altogether.

If these changes are made, the only outstanding issue will be the

extent of the government's liability to repay VAT going back to 1978, When the VAT tribunal considers

appeals later this year, Mr Tay-lor considers it nearly certain to refer the issue to the European Court in Luxembourg. It is likely to be at least two years before the issue is resolved. Even were the court to rule the blocking order illegal, it is not certain to order that all the tax should be repaid. principle of "unjust enrichment" to be tested, Mr Taylor says. Whatever the outcome, the gov-

ernment will not escape scot-free. Customs estimates that the cost of transition to a new system of charg-ing private use will be 21bm in the first year - representing the short-fall between what it would have received in VAT on the sale of cars to businesses and what it will receive under the new scale charge. That is estimated to reduce to via their perent banks to challenge ceedings in the European Court of its legality?

Mr Taylor says that, until recently, they had assumed the order was legal and that there was conder was legal and that there was ceedings in the European Court of year and to sero by the third year. But Mr Taylor believes that these "back of the envelope" calculations may yet order was legal and that there was

Coal and Steel Treaty clarified

rules in the Euro-Coal and Steel Treaty may not be enforced in national courts

EUROPEAN
COURT without a prior decision by the European Commission, the European Court of Jus-

tice ruled last week. The ECJ gave its ruling in the context of an action for damages by Banks, a private coal company, against British Coal for infringement of the Coal and Steel Treaty and/or Rome Treaty competition

Banks produces coal under extraction licences granted by British Coal, British Coal has the sole right to extract coal and to grant licences. There are two kinds of licence. One, a "royalty licence", obliges the licensee to sell the coal produced to British Coal at a price specified in the

licence agreement. In March 1990, the National Association of Licensed Open Cast OMITTED (NALOO), of Theh Banks is a member, lodged a com-plaint with the European Commission under the Coal and Steel and Rome Treaty tion rules.
First, it challenged the fairness

of long term supply contracts at fixed prices made between British Coal and the electricity generators, National Power and Power-Gen. Second, it attacked the extraction licence system as regards both the criteria for granting licences and the level of royalty imposed.

On May 23 1991, the Commission rejected NALOO's complaint. NALOO appealed to the Court of First Instance which has stayed the proceedings pending the outcome of the present case started by Banks in February 1991.

In the action for damages, Banks argued that the licence roy-alty level was excessive and that the price paid under delivered icences was unreasonably low. In answer to the first two of six

questions asked by the English High Court, the ECJ said that only the Coal and Steel Treaty competition rules were relevant to the case as both the extraction of unworked coal and the businesses concerned fell within the scope of the Coal and Steel Treaty.

The general rules prohibiting restrictive agreements and misuse

The competition 🔳 🛮 dominant position applied The Court said specific rule relating only to unfair and discriminatory product pricing prac-tices did not apply. British Coal could not be regarded as engaged in products where it granted licences to extract coal.

The ECJ then said that the competition rules in question did not confer rights which were directly enforceable by private parties in restrictive agreements, the Treaty rule gave the Commission sole jurisdiction to rule on the compatibility of an agreement which

would otherwise be prohibited.

As long as such incompatibility had not been established by the Commission itself, individuals could not contend in national pro-ceedings that an agreement was

incompatible.
Similarly, in the context of mis use of a dominant position, the Treaty rule reserved to the Commission the power to verify whether a dominant position was held or acquired and being used prohibited purposes. The ECJ said that the sole jurisdiction of Commission precluded individuals from relying directly on that provision in national courts.

The question whether national courts could or must award damages for breach of the competition rules in question. The fifth asked whether that power or obligation depended on a prior decision of the Commission the exhaustion of remedies avail-able under the Coal and Steel Treaty and/or completion of the steps or procedures indicated in

the relevant provisions.

The ECJ said that since the Commission had sole jurisdiction subject only to review by the CFI and ECJ, the national courts may not entertain an action for dam ages in the absence of a Commission decision.

The Court ruled that the decisions taken by the Commission were binding in their entirety on the national courts in accordance with the Coal and Steel Treaty rule to that effect. However, the national courts may still ask the ECJ to rule on the validity or interpretation of those decision C-128|92: Banks v British Coal,

ECJ FC, 18 April 1994.

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To progress through communications, energy and transport



the proclaimed policy of

most of Japan's top drugs The strategy motivated by a desire to reduce tic market that is under attack by a rolling barrage of health-But the ability of Japanese

groups to compete effectively in world pharmaceuticals may well be undermined by structural weaknesses in their drugs research and development capabilities.

There is some good basic research in Japan. The country's expertise in allergies, asthma, antibiotics and choles terol-lowering drugs is widely recognised. However, it lags badly behind the US and Europe in the increasingly important field of biotechnol-

Biotechnology will have an important role in contributing to drug discovery," says Teruhisa Noguchi, executive vice-president of R&D at Yamanouchi. But Japan is not very strong in biotechnology. We are sending many of our young scientists to the US to study and then bringing their experience back. But the rela-tionship is still one of American teacher and Japanese

Masaji Ohno, managing director of R&D Eisai, agrees: "We are well behind, but by the beginning of the next century, we may be able to create some original work." A few Japanese groups have attempted to remedy their deficlencies by forming links with western biotechnology groups. These have not always been

Sankyo's research institute, describes the modest achieve-ments of his company's links with US and British biotechnology boutiques: To be honest they did not really thrive. I suppose it is partly because the chances of success were not But we learnt you have to

Poor R&D in Japanese drugs companies in limiting overseas expansion, writes Paul Abrahams

Battling the weak link

Japanese R&D spending in pharmaceuticals



	Yen bei	. 1960	7900	1985	1982	1888.
•	Takeda Chemical	48,6	49.5	55.4	59.7	622
	Policy of the second		705	7 200	97.4	
	Sarityo	24.8	26.3 · · ·	29.1	35.5	38.5
	Fled	27.A	29-4	30.2	50.5	31.0
		24	245		20.0	
	Dalichi	18.5	21.0	22.7	24.8	29.6
	Leiznen Brothers and Pinemiel Tim	Mil-				

make sure in human in i the relationship that both sides need interest in making the alliance

Hiroyki Nagasako, director for corporate planning at Dai-ichi, adds that it is also necessary to have in-house expertise to choose the right companies and manage the relationships. We do not have these skills. It you can waste a lot of money," he says.

nology would not be so important if the drugs groups' tradi-tional R&D were stronger. main problem is lack of investment. The industry spends a reasonable proportion of sales

per cent of its sales, Takeda 8.2 per cent. Sankyo 9.6 per cent. Eisai 13.2 per cent, Shionogi 11.8 per cent and Dalichi 12.3 per cont. But became the groups' sales base is so small, the actual amounts available for R&D remain pitiful compared with western organisa-tions. Only one Japanese comrated in the world top 20 drugs groups by sales, and only four Japanese pharmaceuticals

companies are in the top 30. Tribute spent about 1984s (£410m) last year on R&D, and not all on pharmaceuticals. That compares with Roche of \$1.2bn. and them of the UK

invested \$375m, while Eisai, Shionogi and Daiichi all spent less than \$300m.

nies' R&D funds are not always spent productively. in the past, much of the money was allo-cated to developing "me-too" compounds that cannot be marketed internationally. This is partly the result of the sys-tem of biennial price cuts set up by the Japanese ministry of

Kunio Takeda, president of Chemical, explains that in order to counter the cuts: "Manufacturers resorted to launching modified [non-in-

chemical entities developed in 1975 and 1989, Japanese companies launched 212 new chemical entities. But only 42 were sold in five or more important overseas markets. Just four Japanese drugs were in the world's top 50 medicines sold in 1990, according to Donald Macarthur, author of Japanese Europe, a Financial Times

"Although number of new chemical coming out of Japan has expanded rapidly in recent years, most were 'me-toos' - without any great additional benefit in safety and efficacy. The Japanese compa-nies have real problems selling most of their compounds overseas," Jacques Raclos, centicals in Japan.
The "me-too" syndrome may

be changing, however. "Japanese opinion formers say we: compounds - that is the only way to overcome the price-cutting system. Innovative pounds won't be subject to the discounts that lead to the price

cuts," says Ohno.

Oyashu, Lunging director of R&D at Fujisawa, agrees: "Like it or not, 'me-too drugs will no longer prosper -either in Japan or internation ally. We have to adopt ■ high-risk, high-reward strategy."

Nevertheless, in spite of the rhetoric II innovation, Japanese companies' discovery

cused. While most European narrowing their attention to three or four therapeutic areas,

many Japanese groups remain Baba disputes that this lack of focus is a weakness. There are two ways of con-

ducting discovery. Either you focus from the very start or you look at a wide range of areas and then concentrate. We follow the second school. We like to have as wide a range of leads as possible. It's very risky to concentrate on only a few fields," he says. Even when Japanese drugs groups do have good com-

pounds canable if competing internationally, they had development resources overseas to exploit them properly. Datichi, for example, has only 11 development scientists in four in the US.

Sankyo is one of the most groups in this field,

staff in the US and 150 based in Munich. The company is conducting clinical trials on an anti-depressant in Germany independently of Japan.

In the past, Japanese groups have missed the opportunity of using their breakthrough compounds to create an international development and marketing network. Rather than using the prospects of large sales from a breakthrough drug to construct an international presence, as SmithKline French did with its top-selling drug Tagamet in the 1980s, the Japanese tend to license the dicine to other groups.

Sankyo, Japan's biggest drugs group, licensed Mevalotin a cholesterol medicine which during 1992 was the world's 18th best-selling medicine, in most countries and so has only limited international sales. Fujisawa says its experience with the antibiotic Cefamezin, sold in 70 countries, was "extremely painful". The highly successful drug generated limited income for the company because lack of an international marketing organisation meant it had to license the drug out.

One route used by Japanese companies to by-pass this problem is contract research organ-isations. Mitsuhiko Sentoku, board director of planning and development at Dailchi, explains that Cravit, an antibacterial agent, and one of the group's most promising drugs, is being developed by contract research organisations in

A few companies are now trying to use their innovative compounds to begin building an international development and marketing capability. Fujisawa, for example, is attempting to develop its immuno-suppressant, Prograf, internationally at its own facilities in Chicago and Munich.

The future for most Japanese pharmaceuticals companies remains grim. Analysis fore cast the domestic market will be stagment for the rest of the decade. The ability of Japanese drugs companies to export their way out of difficulties is restricted. And with a lack of innovative compounds and lim-international infrastructure, Japan's global reach in pharmaceuticals looks likely to remain severely limited.

Pool of IT resources keeps CAA in the race

ar-reaching changes in the computer world are having an impact on the way information technology departments are organised. When large, centralised so were large, centralised IT denartments. But these were criticised for being expensive

and remote from the business. Then came distributed computing. This made a "federal" approach to IT possible, with computers and IT staff devolved to individual es units. A small, central IT department was ... usually retained to decide on the company's computing strategy and which standards it should support.

Many companies hoped that putting IT staff in closer contact with non-technical managers would make them all too often, devolved IT departments have expanded creating their own fiels and spiralling costs: As a result, they have become just as remote and inflexible as the large, centralised IT

This inflexibility and the some companies rethink the way they organise FT. Stuart resource pool will solve so

in organising IT-staff. The idea has been tried

before in the UK, but nowhere as radically as at the Civil Aviation Authority. The CAA. has replaced its 110-strong central IT department with a resource pool of 50 staff and an IT department of 25. Any CAA business unit can draw staff from the pool so long as it puts them on its payroll for at least three months. Ad hoc PC projects (lasting no more than a few days) are handled by a team of six in the IT

Vanghan, who is involved in the CAA project, says. "A major benefit of the resource pool is that it can be sized in an optimum way, avoiding unnecessary duplication. It is also possible to demonstrate value for money because business thiffs chince here un-

IT person unless they present a convincing business case." At the CAA, line managers can hire from the pool or buy services from outside if the pool does not have the right service-oriented. Richard Brett, the CAA's director of finance and manageme services, says: "In the old days, staff whose skills we te were simply put to hired. But IT is no longer a

visible. We try to retrain, but if they haven't been requested for two months, we put them

on the redeployment list.

The pool will not rise above
50. If more staff are needed the CAA will simply increase its use of outsourcing. In fact, the pool is likely to shrink. It has been in place for a year (on a transfer charging basis, till this month) and no one hired by a business unit has

Breit finds it encouragin that once IT people get into develop real business skills. "We're starting to overcome the bug bear of project definition, where the line manager knows what he wants be system to do but the IT expert is on a different

wavelength.

He believes IT should may
be viewed as a black art but
as a normal business process.
So the business planning group has responsibility for IT strategy, the internal audit department checks that business units are sticking

and manage IT projects.
This approach has helped the CAA to reduce its centre now see IT as a real cost.

Joia Shillingford



Be sure to stay warm this winter.

Over the years, the Canary Islands' climate of "eternal spring" has excited the

desert island fantasies of many visitors. Columbus

included . He wintered quite happily on Gran Canaria

the New World - An altogether briefer voyage of discovery away to the west lies Tenerife - Another short hop the and you'll land un Fuerteventura . More easterly and yet must unusual is the island of

Lanzarote • And as the islands get smaller, their appeal and diversity show no signs of diminishing.

There's La Palma, the green island. The almost circular Comera. And Hierro, island of ash cones = Each

one offering warm welcome to all life's explorers. From January to December.



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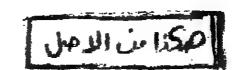
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Landscapes of the imagination

he landscape to a painter sive, expansive and and is whatever he make of it - indeed. whatever he cares to call it. A single horizontal line across the surface of the canvas becomes, well, an horizon, III which sense all nominally abstract paintbecomes a kind I landscape I the imagination. Alexander Cozens used and Gainsborough and broccoli, to invent their landscapes in la 18th century. Rothko's manual emptiness was long prefigured in l'Immen-Courbet, or the river-banks Monet

Apa (Liptor)

12144 - Table

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No. of April 2

- 大火流の食器

10 × 10 70 755%

Maurice Cockrill, 757, is one 1 the more interesting of war paintwho occupy this no-man's-land inventive representation representational representation if you like. W III of m work, certainly, as landscape, and indeed it does take on something of space and scale of landscape. Yet he has dispensed with any defining sky-line un horizontal, are there near-vertical emphases help the eye the other way. If the suggestion is of landscape, it is that of the SOUTCO a pit quarry-side, with a tangle of and undergrowth down libbank, or of the entrance to a and constricted view, of thicket, confusing and disorienting - even an aeroplane becomes con-

even an aeropiane bearance fused without an horizon.

The informing sense is one of organic growth and rich profusion, organic growth and rich profusion growth and rich profusion growth and rich profusion growth and rich profu in on us that it becomes almost that of landscape as still life - we are back again to Gainsborough and his vegetables. The closer parallel, nearer our own time, is to Graham Sutherland and his war-time Welsh There and landscapes, with their lanes and hill-sides and hot colours, and his thorns and bushes of the later 1940s and early '50s, romantic, surreal. threatening and intense. 2 THE STATE OF

Sutherland's imagery is specific source, and stated with nothing of the expres-

Cockrill. If the in the imagery of his is of generalised organic growth, so it with a actual quality of the paint as it is handled on the surface. In the way he works, stands much closer W Francis

over-bearing influences, and rill, while tacitly acknowledging them, with his own man. His begins with a canvas prepared with immaculate ground or colour-field which is to be occupied by the mass if image. This he lays in more or any the range of the

William Packer reviews the work of two very different contemporary artists

canvas, in a rich in the paint itself, fresh and direct in the way the paint is worked and income about. At less comes a mariant. all-or miling flurry of activity, rapid, calligraphic overlays them formally to the larger, encompessing still pristine
Zen-like,
ance,

Cockrill is an artist who has long enjoyed the respect of his peers, but only in the last few years has come into more public a reputation. The Tate, at least, should buy him now. Round the corner in Albemarie Street, Roger de Grey is showing for the first time since giving up the presidency of the Royal Academy. Knowing how active he was in that onerous duty, we might find it sur-prising that he has found time to do

any work at all. That he has man-

merely astonishing. He, by and of contrast, is a true landscape painter, no im inventive Cockrill - for of artists must invent | paint the inetaphor or symbol 🖿 🔤 reality he notes the - but working directly from Masubject Ma much possible, with the reserve rise and surphily light in the

Kent, Committee Church Marcon supply his imagery, with out of the window 15 the garden gate, wooded hill-side, high, fading horizontalk in the the grand arrow life. quiet, undemonstrative, well-or-dered structured, seemingly polite. The debt is included in result but other, and near comple selves, the American, did a Diebenkorn me example, Ocean Park paintings, with their schematic linear perspectives, simplified themselves quite literally to abstraction.

Roger Grey disqualify lateral' me au n'etune artist, saying in the no facility in the invention of forms, but he implicit is many thing he does, and sophisticated manufaction at that, the emphatic will be a writed and horizont that as also divides his canvases, lying on the picture-plane and setting the visual space. Though the device may be only a tree perhaps, a window-frame, or the sharp, sweet rise and curve of the road across the plain, he is rather more adventurous a painter than he cares to admit.

Maurice Cockrill: Generation; Bernard Jacobson Gallery, 14a Clifford Street W1, until April 30. Roger de Grey: recent paintings & drawings; Grosvenor Gallery, 18 Albemarle Street W1, until April 29.



Good example of non-representational representation: 'Porphyry' by Maurice Cockrill

Vine once breath-

lessly intoned, "Here are in the holy city of

Jerusalem - a limit for

Fringe Theatre: our critics find Wilde in Kilburn and a Middle Eastern argument in Stratford, E.15

Lady Windermere's Fan

ean Kearns's gigantic Duch-ess of Berwick says "None of us men do look what we really are," as she quickchanges before our eyes into Lord Augustus Lorton. But the point about the production by the Irish company Rough Magic of Wilde's Lady Windermers's Fan, now at the Kilbura Tricycle, is not that it is a drag interpretation but a brusque and clever ensemble piece in which multiple roles, male and female; a production certainly thereby risking a roughness of des-patch, but securing its moments of

The play is put within a double frame of music and circus. When we enter, a violinist (Aingeala de nott) and dark (Andrew Synnott) are half-visibly playing Palm Court Fauré at the rear, and they sustain a musical commentary throughout the sullie action, underpinning suspense with a dry pizzicato, sawing out the heartbreak, and crucially, of course, playing dances for the Second Act ball. The Victorian melodrama of the plot becomes melodrama in the

other sense of melos plus talk.
The circus idea is that the butler Parker, acted by Mal Whyte, who Lady Plymdale and rancous Austrahan Mr Hopper, presents the play at the outset in the character of a clown Luki-style ringmaster Tricycle fire-exits and mentions the

Streit (022-311 2311)

keeps his clown's white and rouged cheeks in all three of his roles. Miche Doherty as a mincing Lady Agatha ("So devoted to sunsetsi", as her mother the Duchess saya) and a scaldingly witty Cecil Graham, wears that makeup too, as do Kearns and Darragh Kelly's deaf Lady Jedbergh.

Through circus tricks the small

east on the small platform manag

roduce the whirl and glitter to reproduce the whirl and glitter of a ball most admirably; and the clownface is gloss on Lord Darlington's famous remark, "I think that life is far too important a thing ever to talk seriously about it". Martin Murphy, despite the earring and rings, makes the latter m dour sort of dandy, and is man convincing later when language love has taken the dandy's humour away (also, it would his accent). and foolish, beentiful Lady Windermere; Paul Hickey perhaps too sol-emn as her husband. Helene Moutague's vivid Mrs Erlynne - the scarlet woman - succeeds rather by force than finesse. The production's magic comes with the strange, dark, cigar-smoky, violin-perme-ated atmosphere of the all-male passage of the third act, when epi-

Paul Driver Till May 7; then in Sligo, Limerick,

in the party's immediate circumstances are maladroitly paralleled with the cru-sades of the 12th century. Crass guy ropes are thrown out in the form of contrived passionate outbursts and, of all things, a least exchange ceramics. At one point a dream sequence consisting of a Mummers' play about Saladin

Sun afternoon, Mon: Isaac

personal woodshed

intimate something nesty in his

Israeli-Palestinian and

and King Richard is superimposed with alide projections of the Intifada - a juxtaposition which conveys nothing except that whatever is

tourists." The knotty relationships going on in the area has been doing of the region's three main religious form both the second focus and the deeper background of Paul Strso for a very long time. Burt Caesar and Kats Lonergan get m raw deal as Rasta Barry and neo-hippy Fran, theoretically open to ideas but mired in the vague genett's erratic play. A minibus en route to Jerusalem breaks down, conveniently forcing a me in of virtually every backclutch of character stereotypes to neyed line they utter. The norm of intelligent decency is encapsulated in Moslem art historian Ayesha but endure one another's company for 90 minutes. It is not unlike a country house thriller, with Jenny Tira-Tan King's performance is overmani's looming rocky outcrop servwrought, crippling the character's function as a focus of audience sym-

An erratic Crusade

ing as amoking room, and Middle Eastern history standing in nathy and identification. Director Jeff Teare is understandfor the bludgeoned corpse. ably uninspired by Sirett's script, The range of suspects is as broad as one might expect: a lippy, upwardly mobile with its inability to do more than nod the magnitude with paranoid, bigoted Pom-born and historical issues. Improbably, the play's closing movement reveals bank husband; a whinwould-be "radical" actor and Mahmood as a personification Christian-Jewish-Islamic entanglehis long-suffering art historian girl-friend; a female crusty, and a New ment, presiding over a debate as to Age "Rasta"; and Mahmood, the which of the party should - symdriver, whose occasional flashbacks bolically executed.

The characters' final exit on loot to seek help merely begs the ques-tion why they did not buzz off an hour and a half earlier. Sirett written • 90 minute shrug of bewilderment with the message, "Golly - complex, isn't it?" I think we knew

Ian Shuttleworth Theatre Royal, Stratford East until May # (081 534 0310)

Contrasting fortunes at the opera

he Royal Opera House, Covent Garden, has made an operating surplus for

Figures for the last financial year, announced at a press conference yesterday, show a surplus of £400,000, bringing its accumulated deficit down by half to £1.4m. By the end of the next financial year, Covent Garden should be out of the red. But this successful turnaround of the Opera House's fortunes has been at a cost. Chief executive Jeremy Isaacs acknowledged yesterday that with seats in the stalls now costing ticket prices were too high.

Although an average of 86 per of filled last year, the company would like to make productions more accessible by reducing prices by up to one-fifth. Nobody was proud of having to increase prices to their present levels, "but we have to, to earn the income to keep the house is the black," said Isaacs.

This year's Arts Council grant to the Royal Opera House stands at £7.76m, representing 28 per cent of the company's projected income Although a significant sector of the public was willing to pay the existing high prices for seats at Covent Garden, this tended to be for popular operas like Carmen and Rigoletto. Tickets of modern productions, such as Harrison Birtwistle's award-winning had to be in to fill the house. "It is going to be very difficult to put on new work and British work," warned open. house chairman Sir Angus Stirling.

the Coliseum, English National Opera is cutting seat prices further in an attempt to reverse the decline in its andience. New director Dennis Marks has filled 62 per cent of the seats this season, as against a doleful 56 per cent in the last year of Peter Jonas's reign.

But with a frozen grant from the Arts Council of £11.65m for 1994-95, and an accumulated deficit of £2.4m, this is not good enough. To build up andiences for the new season in September, ENO will be offering discounts to regular supporters, appealing to young andiences, and changing its overall pricing policy to ensure that 60 per cent, as against 50 per cent at present, of the seats available (except on Saturdays) will cost less than £25.

The front stalls, 109 seats in all. at 245, will cost 25.50 more on the stalls, some 447 seats, will be reduced to £35. The Friday premium also disappears, although you will still pay more on saturday. The changes will create more flexibility and reduce the average price of a weekday ticket at the ENO to zas.ov.

Anyone who buys tickets for three ENO performances at full price will be offered a 10 per cent discount on any future purchases during the season. United Airlines is helping to promote and underwrite the scheme. It is an alternative to an ENO subscription. which has been hit by the recession: few opera lovers days are prepared to pay substantial sums and commit themselves to performances months in advance.

To encourage new opera goers, ENO is offering £5 tickets for 100 school children aged between 18-18 at each of 12 performances next. season. An RNO fan, Irving
Laidlaw, who paid for Ken
Russell's ill begotten production
of Princese Line in The Princese of Princess Ida, is subsidising the

Antony Thorncroft

ARTS GUIDE

The second er fir qualiti

All White: an excellent Lady Windermere

Bröcheler (020-625 5455)

BASLE

Piotr Anderszewski gives a piano recital in the Stadtcasino on Thurs (061-272 1176), A new production of Donizetti's La favorite, sung in the original French, opens at the Stadttheater on Fri (061-295 1133)

AMSTERDAM

Concertgebou Tonight: Kurt Masur conducts Leipzig Gewandhaus Orchestra in Schumann's Second Symphony and Bruckner's Seventh. Tomorrow: Jos van immerseel directs Anima Eterna baroque ensemble in works by Arriaga, Viozart and Beethoven. Thurs: Riccardo Chalify conducts Royal Concertgebouw Orchestra in : Mahler's Seventh Symphony, Sat iftempon: Kees Bakels curilled Radio Symphony Orchestra In concert performance of Donizetti's Roberto Devereux, with cast headed y Nelly Miricioiu. Set evening, next ues: Vassili Sinalski conducts letherlands Chamber Orchestra 1 Schnittke, Mozart and Haydn, rith piano soloist Elisabeth eonskaya. May 2: Yevgeny Kissin iano recital (24-hour information · ervice 020-675 4411 ticket eservations 020-671 8345) fluziektheater Tomorrow, Sat, next ues: Edo de Waart conducts Harry lupfer's production of Saloms. In epertory till May 3 with cast led y Josephine Barstow and John

BRUSSELS

Monnale Tonight Antonio Pappeno conducts first night of Willy Decker's new staging of Peter Grimas, with cast headed by William Cochran, Gregory Yurisich, Susan Chilcott, Sarah Walker, Anne Collins and lan Caley. Repeated April 22, 24, 27, 30, May 3, 5, 8 and 10 (02-218

■ CHICAGO

Lorin Maazel conducts Pittsburgh Symphony Orchestra tonight at Orchastra Hall. Leontyne Price glves a song recital on Sun, and Alfred Brendel gives a piano recital on April 29 (312-495 6666)

GENEVA

John Nelson conducts a concert performance of Berlioz's Béatrice et Bénédict tonight at Grand Théatre, with cast led by Lilliane Bizinèche, Alison Hagley and Kurt

 Armin Jordan conducts Suisse Romande Orchestra tomorrow and Fri at Victoria Hall in works by Stravinsky, Chausson, Debussy and the world premiere of a new piece by Heinz Holliger (022-311 2511) Ronald Harwood's play Another Time (Temps contre Temps) can be seen delly till Sun at Théâtre de Carouge, in a guest production by Théâtre de l'Atelier de Paris (022-343 4343)

GHENT

de Visamse Opera Tomorrow, Sat, next Tues: Silvio Varviso conducts Hans Neugebauer's production of Lohengrin, with cast led by Gösta Winbergh, Andree Trauboth, Oskar Hillebrandt and Ruthlid Engert (091-225 2425)

THE HAGUE

Dr Anton Philipszaal Fri, Sat, Sun afternoon: Yevgeny Svetlanov Hague Philharmonic Orchestra in works by Brahms and Richard Strauss, with piano soloist Pater Donohoe (070-360 9810)

LAUSANNE

Theatre Municipal Tomorrow, Sat, next Tues and Thurs: Maurizio Arena. conducts Nicolas Joe's new production of Tosca, with cast led by Adriana Morelli, Nell Rosenshein and José van Dam (021-312 6433)

Casino de Montbenon Fri: Hans Graf conducts Lausanne Chamber Orchestra in works by Fauré and Mozart, with pizno soloist Patricia Pagny (021-312 6433)

ms are buried like knives.

UTRECHT

Time Sine Nomine Quartet plays string quartets by Schubert, Webern, Puccini and Tomorrow: Jean-Claude Casadesus conducts Orchestre National de La in sym hy Havdin, Roman and Same Frt: Riccardo Chailly conducts Royal Concertgebouw Orchestra in Mahler's Seventh Symphony, Sun: Guy de Mey song recttal, Next Tues: Yevgeny Svetlanov conducts Haque Philhanmonic. April 29: Yevgeny Kissin piano recital (030-314544)

■ VIENNA

Staatsoper Tonight, Fri: L'Italiana in Algeri with Agnes Baltsa and Ferruccio Furlanetto. Tomorrow, Sun: Cav and Pag with José Carreras, Nancy Gustafson and Plero Cappuccitii. Thurs: Kenneth MacMillan's ballet Manon, Sat: Manon Lascaut with Nina Rautio and Peter Dvorsky. Next More ballet mixed bill. May 2, 5, 8, 11, 15, 18; Puritani with Edita Gruberova and Dmitri Hvorostovsky (51444 2955) Musikwerein Tonight, Surc Christa Ludwig farewell recitals. Fri: Ulf Schirmer conducts Austrian Radio Symphony Orchestra in works by Kilhr. Prokofiev and Richard Strause with violin soloist Alyssa Park. Sat.

Karabtchevsky conduct Orchestra in Rakhmaninov, Glinica and Stravinsky, with plano soloist Konzerthaus The Spring Festival runs till May 8, with a focus on music from the Czech Republic. Tonight: Concertino Munich in music from the Nazi wartime ghatto at Тотолож. Кар Wittlich plano recital. Fri evening. Sun morning: Riccardo Muti conducts Wirren Philharmonic Orchestra in works by Beethoven, Stravinsky and Tchalkovsky. Sat. next Mon: Nikolaus Harnoncourt conducts concert performance of Der Zigeunerbaron, with cast headed by Brigitte Fassbaander. Pamela Coburn and Herbert Lippert (712 1211)

■ WASHINGTON

Dance Theatre of Harlem opens a two-week engagement tonight at Kennedy Center Opera House. Repertoire includes Michael Smuin's A Song for Dead Warriors, Alvin Alley's The River and Glen Tetley's Dialogues (202-467 4600) Giuseppe Sinopoli conducts

Dreaden Staatskapelle tomorrow at Kennedy Center Concert Hall in works by Wagner, Schoenberg and Beethoven. Academy of St Martin in the Fields plays Mozart. Dvorak, Sibelius and Tchalkovsky on Fri, followed on Sun by Bournemouth Symphony Orchestra under Andrew Litton, playing works by Tippett, Walton, Rakhmaninov and Tchalkovsky (202-467 4600) David Zinman conducts

Baltimore Symphony Orchestra on Thurs, Fri and Sat at U. Joseph Mayerhoff Symphony Hall in works by Corigliano and Brahma, with piano soloist Mitsuko Uchida (410-783 8000)

ZURICH

Opernhaus Tonight: Tosca. Tomorrow, the choreographies by Bienert, Ek and Van Manen. Thurs, Sun afternoon: L'Italiana in Algeri with Agnes Baltsa. Fri: Die Zauberflöte, Sat: Lamberto Gardelli conducts first night of Andre Serban's new production of Adriana Lecouvreur, with Mara Zampieri and Neil Shicoff (repeated April 26, 29, May 4, 7, 11, 15 and 18). Mon: Sandor Vegh conducts orchestral works by Schiee, Mendelssohn and Beathoven (01-262 0909) Tonhalle Tomorrow: Claus Peter Flor conducts Tonhalle Orchestra in works by Frank Martin and Shostakovich, with bass soloist Robert Holl, Sun: Vladimir conducts Kiev State Opera Orchestre and Chorus in works by Rakhmaninov and Prokofiev, N= Mon: Mark Anderson piano recital (01-261 1600) Schauspielhaus Repertory David Mamet's Oleanna, Dürrenmatt's The Visit and a pizy

by early 20th century Viennese

dramatist Hermann Broch,

entitled Die Entsühnung

(01-221 2283)

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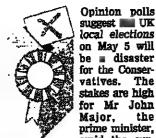
NBC/Super Channel: FT Reports 1230.

TUESDAY Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY NBC/Super Channel: FT Reports 1230

NBC/Super Channel: FT Reports 1230 Sky News: FT Reports 0230.

NBC/Super Channel: FT Reports 2230 Sky News: FT Reports 0430,



for the Conservatives. The stakes are high for Mr John Maior. prime minister. amid the current speculation about a leadership crisis. Almost inciden-

tally, they will decide control of hundreds | councils, from Penwith in west Cornwall Shetland, and elect all the councillors if London.

the low Conserva tive warying regional trends, this year's local elections are more than usually difficult to analyse. How will they and what will

The London boroughs and the 12 regional and island councils in Scotland will be for as will the metropolitan boroughs and 118 of the councils M England and The bulk if the cast will therefore be in the urban Council

always depended on what ile per cent of the manner that bothers to mile thinks about the national ment. The parties' limbs of the move in line with the opinion polls. As in increasingly dominated by and personali ties. Mr Major's personal involvement, and Labour's emphasis on government's record, for that the tralising trend

However, and the min the especially in where Liberal Description active - the importance of local differences has been increasing. There has been tendency Mali His lim 1988 for Labour to do worse in the elections that it do national opinion polls, [40] year. Labour's local showing by the first the beginning the

respondingly In 1991 and 1993 IL-1 signs 🕷 anti-Conservative 📷 tical voting, particularly in of Liberal Description south and bull and of England. Liberal December gains of mate and councils their percentage vote. With tactical voting in the unpopularity in the government. IIIII likely to be man of the little local election candidates.

Serious local difficulty

Lewis Baston on prospects for UK parties in elections

Major is that the seats to be fought were last contested in 1990 – a similarly abysmai year for a Conservative government. Then, as now, Labour led in the polls by more than 20 per cent; the leadership of the prime minister, the then Mrs Margaret Thatcher, was under pressure; and new taxes - in 1990 the poll tax - were unpopular. The poor Conservative showing then suggests that even disastrous unpopularity will not cost many more

seats this time, and a few gains

Central Office may then be

able to claim a victory and

National vote in

might be possible.

		A14-F.				
į	Year	Con	•	Leb	Lib Dem	
	1988			40	18	
	1989	37	٠	40		
	1484	32	٠	42	18	
	1991	. 35		38	21	
,	1992	· 45 ;		30	19	
	Taxas.	31		51	. 24	
۰						

deflect attention from a poor vote. as it did in 1990 by concentrating on Tory triumphs in Wandsworth and Every | II local HATIMA

1990 has produced surprising results. The story last year in Liberal Democrat strength which densitied the Tory shires, leaving only Bucking martin under Orenemaler Democrats to an stand to win as many councils, though they are will likely in gain into from both main parties. The Conservative vote has fallen so badly that the Liberal Democrats are the main opposition to Labour in Manchester, Sheffield and Southampton, as well as Liverpool and Southwark. They can hope in the last

As always in elections, there glimmer if for Mr will be variations in different

parts of the country: ■ In Scotland, the Scottish National party is hoping to break into the Labour heartland in the central belt, although it is unlikely to win control in any regional council.

 The Conservatives' hopes are concentrated in the West Midlands, where they did very well in the 1992 local elections. The party hopes to gain Wolverhampton and Dudley, and end Labour control of Birming ham, despite a recent by-election gain for Labour.

 Liverpool politics continues on its idiosyncratic course, with a conflict between Labour, the Liberal Democrats and candidates backed by the leftwing Militant group. ■ Labour will have to defend many of its southern strong-

holds, such as Brighton.

As in 1990, the London elections will get the most media attention, because more coun cils may change hands in the capital than in other regions. Labour did poorly in London in areas, largely because of the reputation for poor services and high taxes that London Labour councils had acquired The party can hope for more significant gains here than elsewhere, being 300 short of its 1971 peak number of bor-

The official target list of Enfield, Ealing and Croydon swing should see Brent and possibly Redbridge fall too. On the other hand, Labour is

under Liberal Democrat attack in Lambeth, Southwark and Waltham Forest, If the Liberal Democrats are as strong as in 1993, they should win Kingston, and the Conservatives should lose Harrow, Bexley and maybe Bromley. The Liberal Democrats may

however, lose Tower Hamlets to no overall control or to Labour, although politics there is confused. Both Labour and the Liberal Deposits and split, and there is a rick of the far-right British National party taking over the denum neighbourhood council in the Isle of Dogs, where it won a by-election last year.

While the Conservatives lost in LTM clever public miles turned it into a reprieve for Mrs Thatcher, This 🖟 cold comfort for Mr Major. The European elections in June will overshadow 📺 local 🛶 tions, and have a bigger impact on military politics - they could prove a tougher task for the public relations wizards of The author is a researcher at Nuffield College, Oxford

n post-Communist Russia political with has been replaced by jokes about consumer goods, while propaganda on television and street billboards has, ironically, reliable from practice communism to the promotion

of the products of capitalism. A consumer society, built on imports, is emerging from the ruins of a state-run which for decades produced some of the world's most sophisticated weaponry while imposing on its citizens severe of consumer goods - whether shoes or

washing-powder. Mr Victor Naishuller, an intrepreneur who set up Office Club. Russia's first discount warehouse for office supplies and furniture, says that of the 8,000 products it sells 3,000 for instance, cardboard boxes - had never been seen in the country before.

Russians, used under communism w hunting for to a pair of boots a a sofa proving fussy consumers.
When Russian trader recently arrived in York to buy container-load of women's underwear, he insisted they should be in the USA" as his customers would buy nothing else. The emergence of western-

tyle consumers, however, is threatening to fuel a political backlash against the growing social inequality and industrial decline which have accompanied market reforms.

by lim inability of their industry in compete with cheaper, better-quality, simply better-marketed imports, including The adjust the much of community has delayed by high inflation, which makes threatens into ing in ready-made was more attractive that long-term investment The government reacted

Snickers see Mars crying and asks: "Why are you crying?" "Milky Way has

growing protectionist presimports, with tariff increases glass half full." making staple hadir man expensive. A symptom of popular resentment is the way western goods - from Snickers bars imported vodka are the butt of a space of hosnin newspaper and and quips. One of several by cosmically mining Russians at the slowing bars made by Masterfoods, the III had company, relies on TV disement claiming III Milky Way was are in light they never drown in milk.

First steppes to a consumer culture

Despite obstacles, Western businessmen are wooing Russian consumers, says Leyla Boulton

drowned," says Mars.
This example of humour at the compa goes hand in hand with more serious difficulties. Public hostility pales in comparison to problems posed to western companies by high taxes and Mafia extortion. But despite these teething troubles in the development of a consociety in Russia, 150m people remain a tantalising market for producers.

Mr Michael O'Neill, regional

manager for Coca-Cola, which entered Russia III rival Pepsi-Cola, but claims to be catching up fast, says that the potential . . . is quite tic". Though western compacent of the Russian soft drinks market, "it's just matter of making the product available for them 🔳 win the bulk 📲 sales, he says.

Competition west ern companies is so fierce that some ploneers are reluctant to talk publicly about how they built up m presence for fear of helping III competition learn from their

Mr Larry Anderson, part-ner at Moscow of Coopers Lybrand, the accounting and management firm, company and devise its own solutions in Russia's tough business envi-ronment. But enthusiasm, he says, is a crucial component of "If you have the attiis half anywhere. You have at in with the belief that the

The potential for companies with popular product in attract consumers whose monthly salary averages \$85 lashown by shown by Mars and chocolate land into household names in less than a year. In late we only i centi of Russians les of Snickers, according to Gallup poll; now the figure is signed 80 Establishing awareness

of a brand image calls for widedistribution and aggresadvertising. We letter is



Russian shoppers: the gap between rich and poor is widening

helped by low advertising costs: - style TV air-time cost 10 per 1,000 in Russia, per 1,000 in the US. Masterfoods' reach was illustrated by the concierge in a Chechnya region. Her first question, after apologising im the hotel's broken mide "Will you have Snickers with

The second factor, distribut tion networks, which did not metal Sive years may, have been forged through the joint efforts of western companies and Russian entrepreneurs, deploying methods that range from primitive to sophistical

On the primitive end of the scale, Mr John Bailey, manag-ing director of the Russian subsidiary of Johnson & Johnson, in pharmaceuticals group, says: "We had to mail and disRussian enterprises banging on

our door and us sending people out banging on Russian organisations' doors. We've had people coming to us in trucks from the far east of Russia to collect things." Although trucks keep coming from far-flung corners of Russia, he can now use domestic whole-

at the more sophisticated end in Mr Naishuller's Office Club. He opened the edifice on the edge of Moscow after abandoning negotiations with Office Depot, the US office supplies chain, to open branches for them in Russia. Frustrated by the "very had" terms they were offering, he decided to go tt alone, with the help of former Office Depot employees from the US. Later this year: he hopes to open three more Office Club stores - in St Petersburg, Siberia and in the rich southern Volga region. However, despite progress,

distribution is uneven and prices are high in what remains a sellers market. To promote the growth of a consumer society, many western and Russian companies believe manufacturing operations must be set up to generate jobs, local wealth and goodwill.

With only 85 of Office Club's 8,000 product lines made by Russian companies. Mr Naishuller says he plans to encourage Russian companies to produce more by investing in a number of them.

Some western companies are already making strategic investments in Russian industry. MasterFoods, for instance is negotiating to build three food-processing factories near Moscow. Others are buying into and upgrading existing plants through the government's privatisation programme, which aims to put 80 per cent of Russian manufacturing in private hands by

Tith the aim of acquiring a controlling stake. Procter & Gamble, the consumer products group, last November bought 15 per cent of a Russian plant which has been making its Ariel washing-powder since 1992. Western cigarette mann-facturers were also among the first to take up opportunities offered by privatisation. Mr David Geovanis, director of a joint venture involving the US's Liggett & Myers tobacco company, says its Moscow fac tory is now producing US-style brands using Virginia-blend tobacco. But it will still make cheaper local brands because they have a "big market". Yet the fact is that western

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investment is mainly designed to promote the sale of western goods. In addition to stimulat ing popular hostility, it is also generating an increasingly influential protectionist current among Russian business-men. Their argument for measures to shelter nascent Russian free enterprise also has a political dimension. Mr Vladimir Gussinsky, a Russian with large banking and copstruction interests, warns that, unless more is done to help domestic industry, "a backlash under the influence of juliranationalistic] patriots, who ask why we should drink foreign vodka, could well create a fascist state in Russia". While such warnings are motivated by a strong element of self-interest, they highlight a trend increasingly unable to

UNUSUAL NAMES OF THE BUSINESS WORLD

No 17: CANTRADE INVESTMENT MANAGEMENT LIMITED



PIERRE'S FIRST VISIT TO ZURICH HAD CLEARLY BEEN A RESOUNDING SUCCESS

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 12 5938. Letters transmitted should be clearly typed and not hand written. Please se

Drawbacks to share option procedures

arccie "Avoid 🍱 BP trap" (Management, April 15), concerning 💵 need for pay and, in particular, share options to be linked to performance mea-

The article indicated i some companies provided the criterion that the options will become exercisable If a company's earnings infla-

tion by 2 per cent in three suc-

cessive years. This approach

the Mailton American of Pension Funds and the Association of little Insurers requires companies = performance measures which will produce "significant and sustained improvement in underlying financial performance". That implies 11 a company must mesman that are appropriate to and not simply

adopt a measure because

has two principal companies are doing so.

Second, of remulations is dangerous. In the of remucommittees may well have to instify to shareholders in the why substantial gains from share options have been realised when the above earnings performance measure has but a company's performance compared to its sector or the FT-SE 100 is very poor.

If the link between corporate

performance and executive remuneration is u become

current environment, companies should question why they have share options if they have not chosen performance sures appropriate to their specific circumstances. David M W Brooks, head of senior executive compensation group, William M Mercer, Dexter House 2 Royal Mint Court

London EC3N 4NA

Channel control overdue

Sir. A month ago a 100,000 ton tanker was in william in

Bosporus. Manarecently, a 300,000 tonner spilled 7,000 NWW of crude all in the malls of Oman, after hitting a bunkering tanker. On III 81, Ihren was a miss in 🚻 English Channel between a 22,000 Im super-ferry and a small

freighter. in common if their rence in confined water. A disaster 🗷 almost unimaginproportions is well overdue ill Dover buttern a ferry carrying up III 2,000 passengers and a fully supertanker. If we vessel strikes the other, the ferry will sink in minutes. All roll-on, roll-off rame are simple boxes, open plan on several bulkheads and inherently when breached. Traffic on HUNGARD

doubled the Spirit of True Cale lim traffic control and a ch ill operated by the [11] Aviation Authority exists, although satellite scanning the muce Charged is finished Official routing exists, but monitoring with vessel in true through er crossing Channel cannot M delayed. The British III French govmamu and the International Maritime Organisation dilatory if the point in in little regard. Kevin Shilleto. Internaft.

House, 312, Brompton SW3 1PY

largest chambers.

No hijack of Kent chambers

Sir, A a leading player in the Kent Initiative, we congratulate you your repof Le situation in our part of Ilm world (East Last survey, April 8). Howthe article "Striking the right balance" gives wrong impression concerning chambers w merce in Kent.

in Kent Chamber represents only chambers which in turn III a collective membership of some 1,300 busiman - not the Mill quoted. Our organisation, Associated Kent Chambers of Commerce. comprises 1,800 in the membership of

A merger between 🔤 🖼 bodies has will agreed in principle and only this comes III fruition will the new organimiles because one of the UK's

By networking a miles al local chambers, we believe we shall be delivering a strong organisation to assist the development M Kent's busirepresent their interests to government and, hopefully, through being truly representative, be able 🔳 fight off what we we government's attempt w hijack w chambers of commerce movement through mergers with Training and Enterprise Coun-

John Clark, chief executive, Swale Chamber of Commerce, Swale House, Min Street, Sittingbourne KMI ME10 3HT

Confused thinking about Russian 'gradualism'

From Professor Padma Desai .
Sir, Professor Anders Makes (Letters, April 12) I the known known decline inflation during the several months 💶 🝱 curmal | pr mit per month to that Viktor Chernomyrdin, the prime minister, a now opposed to "gradualism" and "shock therapists". Virtue im triumphed; I folly M my longstanding gradualism has been exposed. But this claim is confused in its economics will facile in 🏬

politics. Shock therapy a a tic and roth slashing will be budget with a to killing the inflation forthwith. Gradualism, in my view, not imply the lethargy in Duly movism. It gradual but firm and approach M cutting the and linflation. The is tainly what Ma former finance minister. Wall Fyodorov, tually turned to, when shock therapy (begun in January 1992) had failed: the results have limit coming in

The wall question, well by Fyodorov in your columns "Dangers II gullibility". 28) iii ignored by US

Askund is whether the prime minister's support of this gradualist programme is genuine, as the international Monetary Fund has apparently conor windles it is a sham

as Fyodorov fears. Political analysis and forecasts are always tricky, espe-cially in Russia. But the likelihood of the optimistic scenario being right is compelling.

The new Chernomyrdin

administration more cohesive and, so far, free from the internecine political in the earlier government. It is also a cliche, but true, that Chernomyrdin, a "manager" from the hinterland, is more likely to carry the country (especially the large with him the adjustment gradual stabilica tion than hardline "technocrats" from Moscow.

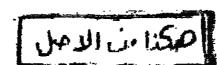
The IMF and the G-7 will man it monitor closely the situation al tailor aid flows to the unfolding programme. But they cannot be faulted for thinking that Russia deserves, not just needs, a chance. Padma 🔛

Department of Economics, Columbia University, New York, NY 10027,

Efficiency pays for wage deal

From Mr Dennis Battle. Sir. One small but important point nu David Goodhart's article on our pay deal ("Customs ell given performance pay targets", April 18). The deal will and increase the bill by 2.6 per card. In line with Inchancellor of the exchequer's policy, our pay bill is frozen at

its 1993-1994 level, and the cost If the 2.6 per cent deal will be funded through efficiency savings. Dennis Battle, personnel, HM Customs & Excise, New King's Beam House, 22 Upper Ground, London SE1 9PJ



صكنات الاعل

FINANCIAL TIMES

Number One Southwark Bridge, London III 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Tuesday April 19 1994

Brands on the run

by Philip Morris to cut the price Marlboro cigarettes, this much more an incident. Makers # most other food u toiletries, are finding that are increasingly reluctant lii pay premium prices 🔄

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The latest evidence ithe manufacturers' discomfort | their campaign 🔳 amend III III trademarks bill, which received Marks Commons reading yesterday. . prohibit retailers from selling "copycat" own-label versions of their brands. The manufacturers' concern is understand-able, given the increasing success of keenly priced own-label ranges. However, such | ban | probably offer only a temporary pallia tive. Nor will recovery automatically reverse the industry's recent misfortunes.

The surge in consumer spending which inflated branded manufacturers' profits and spurred a takeover frenzy in the late 1980s blinded them to fundamental shifts in their industry. What today seems a golden age was actually the swan song of out-dated business methods.

Many companies are still struggling to escape from an industrial time warp. As some admit, their priorities have been dictated too much by the need to keep costly mass-production lines busy and not enough by market demand. Their much-vaunted marketing departments have often become inward-looking bureaucracles, cut off from the real world, innovation and consumer responsiveness have suffered as a result.

Many industries, such u u car manufacturers, have grappled with similar problems since the early West goods producers avoided them recently sons. One increasingly oligopolistic structure of their markets, in many 📕 which no 🚃 than I suppliers as survive profitably. The other is the lack of competition from Japanese and other Asian manufacturers, ire which have far

onto international markets. and Un steadily growing power of supermarket chains have changed all that. This is especially the in WK, where resident buying and demile have enabled supermarkets to drive increasingly hard bargains. Furthermore, their electronic detailed marketing long lettre E i amiliado de manufac turers. As a consequence, a traditional contest between customers and suppliers their Warm's brands. It is the market of the state of

that has made the formula work, unsophisticated retailers in L compa intends stars min pre proving label, Maries willtechnology quickly borders, I profits
will supermarkets to
experimenting

Many Carrier have by cutting are reorganising their marketing, Howtheir hands will once unit command historic price premiums only if they are backed by products which are genuinely novel. distinctive and of superior quality. in an era when technology and innovation are easily appropriated by competitors, Isl requires unrelenting IIII III III corporate manual But companies which shrink from the commitment will doom their brands to

although up by less than in the US, have risen by nearly 1.2 points since late 1993. With French infla-

interest rates, long- and short-term, are far too high to sup-

port self-sustaining recovery.

One reason for Bank of France prudence lies in the build-up of

FFr1,200bn in non-resident hold-

ings of franc-denominated securi-

ties. Any attempt to cut rates fas-ter than the Bundesbank, it fears,

could provoke a bond market

sell-off. However, the Balladur government's fiscal measures to

counter 12.5 per cent unemploy-ment are already adding to bond

market worries about the rising

structural budget deficit.
Long-term fiscal disarray will
the end

the longer sluggish French growth

lasts, the more unpalatable will be the measures needed to reduce the

budget deficit to the Maastricht

target of 3 per cent of GDP.
France's best hope is that it will

be able to follow more inch-by-inch Bundesbank cuts in coming

months. If Germany starts to show

firm signs of economic recovery shead of France, tighter interest

rates in both New York and Frankfurt later this year could

subject French monetary policy to an increasingly cruel test.

European monetary union. Yet

Dependence

The graphy of the Bank in need than in Britain to anjoys monetary policy bond rates. Howautonomy, but his franch over, long-term French yields, manosuvre is painfully narrow. Since the central bank was allowed to set interest rates inde-Ille end Man Jean-Claude Trichet and his colleagues in short-term French rates to a trickle. The conwere underlined by terday's bearing to keep the bank's money market intervention rate unchanged, in spite of Thurs-day's in point reduction in the

Bundesbank's interest rates. a reward for caution, bank can point to a partial decoupling of French capital mar-ket yields from those in the US. After yesterday's Federal Reserve tightening, in short-term European interest rates may however peter it led it long. tary policy in the mercy of poten-tially adverse interest rate moves in the US and Germany at a time of possible strain within Mr Edouard Balladur's government in advance of the May 1995 presiden-

The Bank of France argues that the present mix of short- and long-term interest rates is the best available in the unfavourable international limited in view M Im importance long-term interest rates for French housing finance, there is a more

Fed up

Much ink will be spilled in the attempt to rationalise the US Federal Reserve's decision to signal a third successive increase in short term interest rates in less than two months; and much of the spillage will be in vain. Not even Fed chairman Mr Alan Greenspan can fine tune monetary policy on month-to-month basis in response to the latest data on the economy - least of all when the first quarter has been subject to freakish weather conditions and a Californian earthquake. What is clear is that the Fed is seeking to shift monetary policy to a more neutral stance as quickly as it can manage without destabilising markets further. The question is still what

constitutes neutrality. The Fed's concern is with the real federal funds rate after allowing for inflation. On most reckonings, this was around zero before the first nominal rate increase in February. Since 1979, the real federal funds rate has averaged some 3% per cent. Yet to take as ■ yardstick a period in which successive Fed chairmen were seeking to squeeze inflation out of the system after the shocks of the 1970s would be perverse, in the present less

inflationary climate. Moreover, past comparisons are dangerously misleading in another sense. The shape and composition of the balance sheet of the per-sonal sector has changed dramatically as a result of demographic change and the debt build-up of the 1980s. The elderly and the rich, who borrow little, now account for a larger share of the population's total income, so the debt servicing burden is falling on a narrower proportion of the population's income. At the same time, the increasing share of tax privi-leged forms of investment in household assets means that savings are less liquid and that the less rich and the less old have

a smaller margin of safety in their

financial arrangements.

These structural changes may not be having a significant short run effect on the economic growth rate, which remains exceptionally robust. But they do suggest that consumers may be more sensitive to any given change in interest rates than in previous economic cycles. Against the background of a run down in the household savings rate to four per cent or less, and the possibility that inflation may be more subdued than the bond market assumes, this might point to a relatively cautious Fed view of what constitutes a neutral policy stance in today's circumstances - a federal funds rate nearer four and a half, say, than five per cent. But it also underlines the inherent problems in reading the US economy. US short rates still have further to rise. The longer run question is whether a tougher than neutral stance will be needed.

have risen : have risen : rapidly. The number blue helmets of United Nations | soared | === past four past from the number of man-hours to UN matters by generals are poliin the world's leading pow-

master its baffling
But the fall of Gorazde, Ibso-called haven for larger in eastern Bosnia, should quash remaining temptation in regard lie gaunt skyscraper on West York's East River III headquarters of I government in embryo.

it seems a long time since mid-Ghali, the UN secretary-general, sought we the body's profile wars, cross-border conflict humanitarian

In Bosnia, at least, the Let now the sum of all possible worlds. It is the powerful weapon - air is in against the Serbs, and bill b either the protection of its personnel or the preservation haven. The UN I is neither an effective belligerent nor a honest broker. I its nile at a religious of will has limit must promised. In mant days In UN experienced another setback, where ii human - - the failure are complete: orgy of blood-letting in Rwanda, Belgium, II. linchpin of a peacekeeping effort, M scrambling in pull out.

The organisation's bureaucrats iustifiably und - they given inadequate But will not stop has accruto the UN and its secretarygeneral. Just as III UN III have have a common the strategic ambitions II states, it will now serve as a convenient scapegoat for liner lines

Mr Inches already a limit ditional allies in the for ordering air now has all the resignation land land because the milim patently fill not

His humiliation in Bosnia is not so much a turning point as a landmark in a process that began last autumn with a precipitous decline in the UN's popularity in the US, which remains the principal pay-master and was the main architect of its rise in status.

Mr Bill Clinton once gushed with enthusiasm for Will UN. As w W. presidential candidate, 🖿 backed the idea of standing "rapid deploy-

Idealism gives way to disenchantment

Humiliating failures in Bosnia, Somalia and Rwanda have undermined the role of the UN, says Bruce Clark



conflict. It would guard borders, nrevent atrocities against civilians. distribute aid and deter terrorism. The onset of disenchantment is not hard to pinpoint. It began last August, when the first US soldiers were killed in Somalia, and it became total on October 3, when 18 Americans died in Mogadishu.

The UN fell even further out of fashion when the US ships dispatched to Haiti a few days later, with a UN mandate to restore democracy, failed even to land. Knocking the UN, and pledging that US soldiers should never be subordinated to the incompetent foreigners, was an irresistible temptation for US politicians, Squabbling over the US role in the UN has led to long delays in the publication, now expected this week, of a presidential directive on the deployment of troops abroad.

The degeneration of the UN's

relief effort in Somalia into an ugly shooting war was not the first disaster. But Mogadishu was the first ment brief showed televised flasco. According to Dr touching faith in the solubility Mats Berdal, a Norwegian political

scientist authority on peace-keeping, lia shows that "US policy is flawed by swings between idealism and overhasty disappointment".

Europeans have often discerned the same US policy towards I they in Somalia - till game yearning that both eff risk-free. Air strikes, when combined with the enticing word surgical seemed to offer that combination: they would punish wrongdoers and bring instant results without risking American lives. As experience has shown, this

was a false hope. Few people understand that better than General Sir Michael Rose, the UN commander in Bosnia. He is well-qualified to discern theoretical flaws in the UN operation: a disastrous muddle over vocabulary. In his previous role as commandant of the British Army Staff College, he sponsored a revival of research into the theory of peacekeeping. He insisted on the distinc-tion between peace-broking, peace-keeping (guarding a peace to which all parties have agreed) and enforcing peace against the will is some of the parties.

The UN - or its leading members failed to observe that distinction when they drew the mandate for the former Yugoslavia and allocated and personnel. To impose peace against the will of any party. the UN would have needed far more firepower on the ground that mem bers were prepared to commit. Mr Malcolm Rifkind, WK secretary, openly expressed his frus-tration in New York last week. He as "difficult to underthe US refusal to finance let alone - increased ground force in Bosnia. "We must put in the in the site like where we lack the tools to carry out the job," he said.

ironically, the outbreak of recrimination over UN failure has come as the much-malismed bureaucracy in York is finally becoming The Department for Peace-Keeping Operations has, under the galvanising effect of the Bosnian crisis, started to work more

effectively. Gone are the days when UN commanders in Bosnia would complain I nobody in York worked weekends. Insiders the department become better at things can realistically do gathering information, planning for future requirements, exercising broad control was finance and perbroad control finance and personnel - and better at delegating to commanders in the field the operational control that | cannot realistically exercise.

It would is ironic if these improvements - initiated during Mr Clinton's early period of ■ enthusiasm for the UN - were now wasted because of a politically inspired witch-hunt. The president's love affair with the organisation began in the immediate aftermath of the cold war, when it was tempting to believe that world problems could be jointly managed by the

and compliant Russia. ranks with the seed that the nia - by denouncing in air egainst the Serbs - probably the on that period of optimism.

the US, in a the UN into instrument of its policies. It | pressing | for | UN's blessing, and above all for UN finance, for the male of Russian filmed in the british's himthern will - bear in mind the distinctions which fee iteinsists if In UN man in avoid fresh firm to in credibility.

The Russian word for peacekeep ing - means making establishing in a situation none exists. And lishment of peace have not, in practice, been hemmed by any of the squeamishness about taking sides, or taking casualties, or observing legal niceties.

Western diplomats in Has lin -thinking hard about me terms on which they could give the organisa-tion's blessing to a mainly Russian peacekeeping operation in the Black Sea war zone of Abkhazia, where Georgian government forces were routed last summer.

Having approved a UN resolution that made possible the western air strikes against the Serbs, Russia will from now on be more careful about how it uses its vote in the Security Council: it will not permit any more ambiguous mandates. The US, UK and France will in turn be more careful about giving carte blanche to Russia.

That could mean a partial return to the cold war days when east and west continually vetoed one another's resolutions - and place further obstacles in the path of the blue helmets, the

City must defend its capital position



Last autume, Britain's chancellor of the exchequer announced that Stephen Dorrell, financial secretary in the Treasury, PERSONAL would conduct a VIEW review of Iha

impact if un will aller governflow of funds through the economy". For a while, nothing emerged. Last month, however, at a Confederation of British Industry conference. Mr Dorrell told his audience that he had come to enlist their aid in a dialogue over the issues raised by the review. He betrayed a belief, a dangerous one in my view, that the emphasis in the UK on dividend yield has reduced cash available to comparing our beautiful to the comparing of the comparing nies and harmed their ability to carry through capital

At M&G, we strongly dispute this belief. We also believe it is impera-tive that the City makes its views known. Life and pensions policies, unit trusts and the corporate sector could all be affected. As the CBI

said following the speech, the review is of potentially greater sig-nificance than was originally thought. At the CBI seminar, Mr Dorrell said its purpose is to test the UK's "arrangements for handling savings and investment against our desire to promote efficient allowance of capital within the economy". Perhaps it is some of the weaknesses he identified that are most intriguing: manufacturing is now a small

part of the UK economy.

• dividend pay-out ratios appear to be relatively high in Britain, particularly when compared with continental European economies.

M&G's view is that these points

fail properly to understand the role of the institutions. In particular, institutions do not manage compa-mes - boards of directors do that. It is for those boards to identify good institutions to assess them and to place their money accordingly. So-called good investment opportu-nities are those which provide the prospect of an adequate return on

capital employed. It is, of course, the stock market

generally indement on the of a long-term investment programme. It is no accident first the manufacturing sector, in farms of guestic product, has shrunk in the postwar period, as it has in Ulm countries. Foreign competition is commensurately unless the and the second s

I am convinced of the correctness of high payouts and of capital-raising where necessary

wired value, and technologydriven, areas. The non-manufacturing sectors, in contrast, have often suffered less competition and have prospered accordingly.

Mr Dorrell particularly emphasises the UK's high dividend payout

ratio. The UK equity market is very large in relation to the size of the economy and the UK corporate sec-tor is probably the least dependent

OBSERVER

any major nation on bank anism. The City enjoys a flexible finance. It is the hardly surprising is the payout ratio is the highest: by contrast, benter abroad in on stronger internal companies or actually equity financed corporate

in the very term, it is the flow of dividends the returns to perhaps, in the full-time, Mr Dorrell and his Treasury will appreciduced by British industry. I may wital discipline on boards that dividend paying represents. To cut a dividend usually leads to a fall in share price and will diminish the company's ability araise equity finance and lead to its increasi dependence on bank finance.

I am therefore convinced of the correctness of high pay-outs and of capital raising where necessary, a process which acts as a filter mechcapital-raising system, and the proand expensive churning", as Mr Dorrell suggests. It not only reduces companies' reliance on bank debt, it also makes them less voinerable to the will swings in that have been a char-UK economic ment the world war.
It is clear the City needs urgently

in understand the broad water if Mr impact it could have on capital investment and on savings - and ■ respond. It two particular questions: will the proposed changes todustry And will they the limit the limit savings from the private in the corporate sector which is so neces-sary for the continued expansion of the UK economy?

Paddy Linaker

The author is managing director of

prime minister and possible

lead to a vicious circle of

successor to Boris Yeltsin,

had the benefit of her views on

the dangers of slow-paced reform.

The gradualist approach can easily

generalised subsidies to non-viable

falling exchange rates, capital flight

and economic stagnation." On the

subject of the political costs to the

alternative tough-it-out approach

■ Political backs were distinctly

Enterprises' launch party for the

publication of Tony Benn's diary

Indeed, it seemed largely to be

an exercise in feeding numerous

tapes at the House of Commons

thin on the ground at BBC

likes of Chernomyrdin in the

she again chose to play

Bloated

continuous budget deficits, prolonged high inflation

Double trouble

Britain's John Major had an unusual opportunity yesterday min a fellow prime minister who came to office on exactly the same day in 1990: Goh Chok Tong of Singapore.

That's not all the two have in political problems of his own - the odd electoral setback, for example, and the tendency of his predec Lee Kuan Yew to deliver stern rebukes when the government has looked like straying from his chosen path.

On the whole, however, with Singapore's economy growing at nearly 10 per cent a year and support for the authoritarian ruling party running at 61 per cent at the last count, Major had to acknowledge that Goh's little local difficulties are ones he can only dream of

Power play

Meanwhile, latest word from Kuala Lumpur is that normal relations between Malaysia and Britain could be restored before too long. The rumours appear to have been prompted by Daim Zainuddin, one of Malaysia's wealthiest businessmen, who recently returned from a trip to

Daim, a close confidant of Mahathir Mohamad, the prime minister, has come up with an ingenious reason why Malaysia's ban on doing business with British companies - imposed after sections of the British press said unflattering things about the Malaysian prime minister - could be lifted within three months. Part of the problem in resolving the row has been the less than

warm personal relations between Major and Mahathir. Having surveyed the British political landscape, Daim has concluded that Major will not be around too much longer. So when the new man comes into Downing Street Mahathir will take the opportunity of burying the business batchet. All very neat - but not necessarily a theory No 10's present incumben would agree with.

Trading places

Once upon a time there was fine old City club called the Accepting Houses Committee, It let in all sorts of riff-raff and changed its name to the British Merchant Banking and Securities Houses Association

Five years on and the increasingly international now feel that the word "British" is no longer appropriate and the term "securities houses" is a bit long-winded. So unless there is a last-minute revolt. III the annual experal

You're right – this satellite photo of Gorazde does show a Serbian soldier smirking

meeting on May 5, the BMBA will become the London Investment Banking Association (LIBA). It seems only a matter of time before an American is allowed to be chairman and this once proud City institution is renamed yet again. How about the American Investment Bankers Club Abroad?

Good Hope

■ The white South Africans who have bought up just about every seat on flights out of the country before the election have mostly purchased return tickets - not least

because they are cheaper than one-way fares.
One of their number who really

will be ditching the return portion is 39-year-old Graham Bell, until recently the highly rated chief economist for Johannesburg lvor, Jones, Roy. arrives at Barings on Thursday to start his new job as head of the merchan bank's South African sales and research deak in London. A Jo'burg office is also planned, serving as a regional base for business in other southern African countries, too.

The bank's timing may look to be on the foolhardy side of brave, but is no doubt born of the confidence derived from beating UK I fair and square into almost every other emerging market to date.

No quibble

Anne Wibble, chairman of the governors of the European Bank for Reconstruction and Development, was yesterday explaining the significance of St Petersburg as the venue for this week's relaunch of the bank under Jacques de Larosière's stringent regime. It was, she said, "a city founded in another reform era of watershed proportions during the reign of Peter the First". marshland which he had won by conquest from her native Sweden. she diplomatically omitted to add. The conference audience, which

included Viktor Chernomyrdin

functionaries from obscure corners of the BBC, many of whose ample titles barely fitted onto the name tags. A surprising proportion proved more than a little vague on the subject of the Benn product.

Riviera run-away ■ Have creditors seeking Jürgen Schneider, the fugitive German

property tycoon with the unco-operative hair piece, checked 16

Chief Buthelezi's Inkatha Freedom party may take part in poll

S Africa talks breakthrough near

By Patti Waldmeir in Pretoria and Mark Suzman in Johannesburg

A breakthrough in South Africa's political crisis that would allow Chief Mangosuthu Buthelezi, the Zulu leader, to participate in next week's all-race elections appeared suddenly within reach last night.

Following a day of talks with President F.W. de Klerk and African National Congress officials in Pretoria, Chief Buthelezi said he was confident of positive results when the talks resume today.

It is understood that the proposed deal will involve the recall of the old white-dominated parliament to entrench the powers, largely symbolic and ceremonial, of Zulu King Goodwill Zwelithini in the interim constitution. Neither the South African government nor the ANC appear to have conceded ground in the fundamental issue that has led to the stalemate – Chief Buthelezi's demand for what amounted to autonomous status for the Natal province which includes his KwaZulu "homeland".

Election officials
night investigating the possibility of a last-minute amendment
to ballot papers that would allow
the inclusion of Chief
Inkatha Freedom party. Should
this not be possible, the agreement could be in jeopardy, officials warned.

Asked whether inkatha would participate in the poll, Chief Buthelezi said that it was possible but noted that there would be

practical problems, including the fact that his party would have only a few days in which to cam-

Any deal would allow political violence to abate. In March nearly 300 died in the Natal province, and more than 240 lives have been lost there this month

Mr Nelson Mandela, ANC president, will join Chief Buthelezi and Mr de Klerk at a summit in Pretoria this morning which officials hope will produce endorsement of a deal understood to have been agreed in principle vesterday.

The deal has been endorsed by Mr Cyril Ramaphosa, the ANC secretary-general, and Mr Joe Slovo, the South African Commu-

nist party chairman who is also one of the most influential figures in the ANC. Both participated in vesterday's session.

Those close to the talks said

that Chief Buthelezi demonstrated much greater willingness for a settlement. "He was a different man today," said one official. "He came here suing for peace." Apparently crucial in yester-

Apparently crucial in yesterday's initiative was the involvement of Prof Washington Okunu, a Kenyan member of the team of international mediators that arrived last week.

The financial rand, the main indicator of foreign investor sentiment, strengthened on renewed in London 5 cents higher at R5.245 to the dollar.

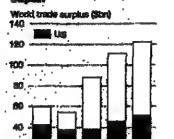
Japan's Asia trade surplus tops US figure

By Paul Abraheme in Tokyo

Japan's surplus with surpassed that with US the first surplus during surplus with according to the Japanese ministry.

The figures rapid shifts in trading patterns among high-growth Asia, provide ammunition for governments in tragion that have lingly surpluses.

The surplus with China. South and the Association Nations (Asean) during 12 months March expanded while last while Japan's surplus with 11.8 still was \$51.14bn, 11.8 still Finance ministry officials said



the 12.2 per cent depreciation of the dollar over the year was partly to blams, as the overall surplus during the financial year fell 4.7 per cent to Y13,180bn, the first fall for three years. However, in dollar terms, the surplus rose 10 per cent to a record \$122bn.

Japan's trade surplus with Asia is being driven by a sharp rise in consumer spending and capital investment in the area, and by the building of Japanese plants there to assemble products from components manufactured in Japan.

the US and the percent during the possibility of further pressure from Washington for market-opening measures. The month reached a record \$13.95hm, an increase of 4.2 per cent on a year earlier.

The surplus with the US during March expanded us a second increase in Japanese and to \$10.6bn, reflecting stronger

demand from the US economy. However, imports rose only 6.1 per cent, as domestic demand remained weak in Japan.

The latest data are ■ disappointment for the Japanese government since they follow a 0.9 per cent fall in the trade surplus with the US during February compared with the same month in 1993. But Mr Tsutomu Hata, the foreign minister, and tipped to become the next premier, said existing trade policies would be maintained.

"Japan needs to tall the world that there will be no change in policy, and that includes protecting free trade," Mr Hata said. Mr Lloyd Bentsen, the US Treasury secretary, warned that Washington would continue to

sury secretary, warned that Washington would continue to insist on Japan opening its markets. The US has been demanding that the surplus be reduced.

GEC Alsthom clinches \$2bn S Korean deal

By John Aidding in Paris and John Burton in Secul

GEC Alsthom, the Anglo-French engineering and transport group, yesterday clinched a \$2.1bn contract to supply locomotives and for South Korea's high-speed railway.

Mr Suard, chairman of Alcatel-Aisthom. French partner, said group had algued a letter of intent to supply the equipment and technology 430km line which will link Seoul the

southern port of Pusan. The total cost of the project, due to be completed by 2001, is estimated at about \$13bn.

The announcement follows a four-year battle between GEC Alsthom and international rivals, including a German consortium headed by Siemens and the Japanese group Missubishi. The South Korsan contract, one of the largest to be awarded in the industry, is regarded as a likely bridgehead for further high-speed rail ventures in the region.

be allowed to sall the TGV (train à grande vitesse) to other Asian countries once they assume full control of the transferred technology and production in 2002.

nology and production in 2002.

GEC Alsthom had been granted sole negotiating rights for the contract last August. But negotiations were extended as South Korea sought to lower costs and increase the level of technology transfer.

The final contract price is

about \$270m lower than the bid offered last August. The proportion of local manufacturing has

discovering evidence which gave rise to the suspicion of fraud.

Deutsche said that it was owed

DM1.2bn in respect of eight of the

in Germany. It said that its loans

were well secured by mortgages against individual properties. Technoteam Bauconsuit AG, a

became im second company

within the Schneider group in illa

group's 85 property dev

for bankruptcy.

FT WEATHER GUIDE

also been increased from about 44 per cent to 50 per cent, GEC Alsthom said.

The deal will be financed by a

consortium of French banks, led by Banque Indosuez. Mr Suard said competition for the contract had been fierce, but it remained a profitable venture for GEC Alsthom. The project would guarantee 800 jobs for the group and its suppliers for four years. GEC Alsthom and its Korean

partners will supply 46 high-speed trains, 34 of which will be built in South Korea.

Bank criticised over Schneider

Continued from Page 1

banks", with repercussions for the recovery in eastern Germany. It presented the market economy in the wrong light, he said. Deutsche Bank yesterday rounded on critics of its role in

rounded on critics of its role in its critics, giving an account of how it had reacted after a board member received a letter from Mr Schneider on April 7 asking for further

on medical advice he had gone to an unknown destination.

"Up until this point in time there were no considerable payment delays (in respect of Schneider credits) within the Deutsche Bank group," the bank said. "It may only then I in it became clear that the group was in acute financial difficulties."

The bank said that in the fel-

clear that the group was in acute financial difficulties."

The bank said that in the following days it held talks with officials I Jürgen Schneider AG,

Kidder fires top trader

Continued from Page 1

to convert the government strips he held back into regular bonds at a later date. However, each time the forward contracts were due to be settled. Mr Jett allegedly kept renewing them.

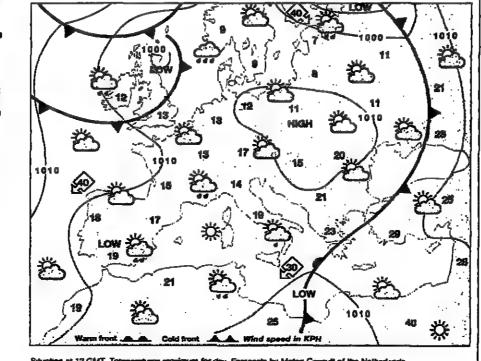
By doing so, he was apparently able to fool Kidder's computerised trading system into thinking that be had made a profit.

Europe today

High pressure will build over central Europe giving sunny periods from northern Germany to Turkey. Another depression east of Scotland will cause cloud and rain over the British Isles. Cloud will gradually spread eastwards to Denmark, the Benetux and western France, but only Denmark will have some light rain this afternoon. Eastern France and northern Italy will have showers. Portugal and northern and western Spain will have sunny spells. Showers will develop over south-east Spain, southern Italy and Tunesia.

Five-day forecast

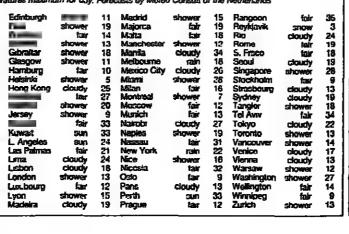
The western will have abundant sunshine tomorrow. Showers developing on Thursday will move north during the weekend. Northern Britain will continue rainy but the rest of north-west Europe will have sunny spells and will become warmer. Germany, the Alps and Poland will have some sunshine, but showers will fall over the Balkans and Italy, especially later this week. Scandinavia will have cloud and sunshine with only an abover.



TODAY'S TEMPERATURE







Greenspan's grip

THE LEX COLUMN

The surprising aspect to yesterday's Federal Reserve tightening was not so much that rates moved up again. Rather it was the timing. Since the latest data on capacity use, inflation and employment did not suggest any immediate urgency, the markets cannot look to economic indicators for any short-run indication of the Fed's intentions. Instead, the Fed simply appears to be moving quickly to the neutral stance for which Mr Alan Greenspan originally said he was atming.

Further rises in the federal funds rate therefore loom, probably accompanied next time by a discount rate tightening as well. But the markets cannot predict when. Nor do they yet know constitutes a neutral stance. The best guess is that it means a federal funds rate of over 4 per cent and probably closer to 5. The uncertainty is a burden for equity and bond markets alike even though there is no particular reason for the latter to worry. A long bond yield of nearly 7.5 per cent amply discounts a federal funds rate of 5 per cent. The equity market must worry that higher interest rates will both slow down the recovery and cause the flow of mutual

fund money to dry up.

That liquidity concern extends to international too. In the basis of yesterday's performance, European bond markets have signally failed to decouple from the US trend. They are unlikely to do so as long as exchange markets expect that rising US interest rates will eventually push the dollar higher. Ironically, yesterday's Fed action left the dollar virtually unmoved. Perhaps markets everywhere would calm down sooner if the Fed moved in bigger stages. This is one occasion where it is better to arrive than to travel fearfully.

Storehouse

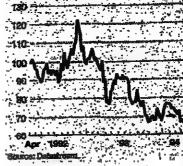
Storehouse's chairman had some criticisms to make when Mr David Dworkin resigned as chief executive after just six months in the job. Sadly, his strictures appear to have fallen on deaf ears. Storehouse's revolving door continues to whirl around with Ms Ann Ivarson, chief executive of Mothercare, being the latest to whoosh out. She, at least, will have had the tenacity to do her job for two years. But her departure makes a mockery of the company's watchword of stability and knocked 5 per cent off the shares.

That may seem excessive. Ms Iver-

FT-SE Index: 3138.2 (-30.1)

Maste Management International

Store price relative to the



son's team has done well to turn round Mothercare and the chain appears to have acquired considerable trading momentum. Its new store format is being successfully developed. The chain is recording some of the strongest sales figures on the high street. The scope for margin recovery is clear; last year, Mothercare accounted 27 group sales but just per cent of profits. Even so, the market is understanda-

sales but just III per cent of profits.

Even so, the market is understandably averse to companies which III such a dismal record of retaining staff. The remaining boast less than three years' board experience between them. That is alarming when consistency is such a vital ingredient of retailing success. Storehouse suggests that while Ms Iverson's loss is disappointing, it will be no great blow to Mothercare's recovery. If so, one wonders why Storehouse feels it necessary to reward its directors so lavishly.

Oil shares

The oil share bulls are in the ascendant. The big UK integrated houses, Shell and BP, have each outperformed the market by nearly 10 per cent this month. Although both fell yesterday, that was only in line with the market's overall decline. The immediate cause is the rise in crude prices, up from \$13.50 at the end of March to over \$15 now. OPEC's failure to cut production quotas, which prompted the earlier dive in oil prices, does not look so bad on reflection. Given that most cantel members are operating at near full capacity, there is less scope for cheating than in the past. Meanwhile, economic recovery in much of the indus-

trialised world is fuelling demand. It has also helped boost petrochemical prices and refining margins.

But the oil price is not the only factor driving shares in the longer term. Determined moves to cut costs and redeploy assets have played an important part. This has been most apparent at RP, whose need to put its house in order was greater than Shell's. Its management is no longer content to rely on higher cride prices to deliver its profit targets. Shell's incentive to restructure is not so pressing. But with its massive investment programme and a return on capital still below the best of its US peers, it too needs to deliver productivity

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growth.

Oil prices could still spring some nasty surprises. The main risks are that news of breaches in OPEC callings or of increased stockbulking will provoke wobbles. But medium term prospects look good.

Waste Management

Waste Management International has been steadily de-rated since international investors were offered stock in 1992. Following yesterday's slide in response to middly disappointing first-quarter figures – the shares stant on a multiple of 20 times 1993 earnings. The historic multiple at flotation was over 30 times. Recession in Europe is to blame for the pedestrian progress since them. The question is whether WMI is now cheap enough to tempt the UK investment institutions which shumned the original offer.

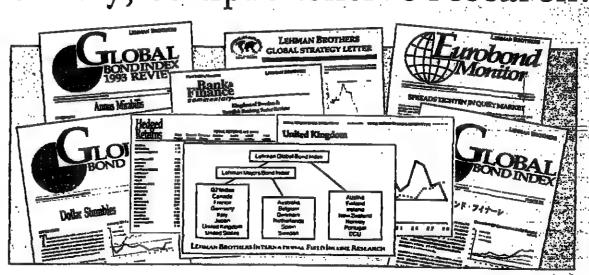
The company has fared better in recession than most of its peers. If it

The company has fared better his recession than most of its pears. If it can prove that yesterday's figures were indeed the result of fluke weather and currency movements, the rating looks fair. Gearing of around 200 per cent following last year's acquisition binge is a reason for cantion. Under US accounting principles gearing looks less threatening. But it WMI alights on a substantial acquisation, it might still take the opportunity to raise fresh equity.

Besides, the fall from grace of WMX.

Besides, the fall from grace of WMX Technologies, the US parent which owns a controlling interest, has been far more severe than that of its international offspring. An equity issus through WMI might look like relatively cheep funding in the context of the wider group. If the free float of the wider group if the free float of the was increased in the process, WMI could also find a place in the FT-SE 100 index. UK fund managers might them at up and take note.

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FINANCIAL TIMES COMPANIES & MARKETS

Tuesday April 19 1994 THE FINANCIAL TIMES LIMITED 1994



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Indian arm

BAT Industries, 🐷 📰 and

By Stefan Wagstyl in Calcutta

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Montedison sues Price Waterhouse

Montedison, the Italian industrial company. claiming damages of than L1,000bn from Price Waterhouse Italy, part the international accountancy alleging "serious negligence". 18

Bank of Montreal expands into Chicago
Bank Montreal begun in long-planned expansion into the rapidly consolidating Chicago banking market with the purchase of Suburban Bancorp.

McDonnell Douglas drops
McDonnell Douglas, W US defence and aerospace

group, reported a per cent thou had net due to the due to the pains a year ago.

20

Australian wine group the float group, reported a per cent drop in first-quarter

Australia's rapidly-expanding quoted wine to gain another with the flotation Simeon Wines, the country's largest supplier contract and grape juice incorporating the Burooga Hill winery in New Wales. Page 21

> Morgan Crucible ends on a high note Morgan Crucible, the UK speciality materials group, reported an 8 per cent increase in pre-tax profits after a strong final quarter. Page 23

Johnson Fry hit by restructuring Johnson Fry, the UK financial services and invest-Johnson Fry, the UK analysis loss of £12.5m ment group, incurred a pre-tax loss of £12.5m (\$18.5m) in 1993 due to the impact of asset sales and a radical restructuring. Page 23

Retriers ends expensive run Shares in Reuters Holdings, the news and financial information group, closed yesterday at 484p, their first day of trading after # 4-for-1 share split. The move ended Reuters run as the most expensive single share in the FT-SE 100 index. Page 24

Waste Management rises

Management International, IL. III. environmental services group, saw first-quarter pre-tax profits rise 12.4 per cent despite northern Europe's slowness in recovering from recession.

CentreGold beats margin pressures CentreGold, the UK computer games publisher and distributor, offset margin pressures and turned in a 34 per cent increase in interim pre-tax profits.

Singapore rising

Index. 1/1/94 = 100 100 1

Asian markets, largely neglected after the surge to their January peaks, returned to focus last week with sharp rises recorded in Keals Lumpur and Singa-pors. The advance resulted from renewed demand some of the regional markets. Tokyo displayed some nerves at the start of last

Companies in this issue 18 Jürgen Schneider AG 18 Kidder Perbody 17 Linton Park 17 Luces Inds 17 Merrill Lynch 17 Montedison 19 Morgen Crucible 21 National Wastminster
21 National Wastminster
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Reynolds Metals
Sendoz
Simeon Wines
State Bank NSW
Storehouse --- Entitle Eastern Electricity Sunset + Vine 20 17 Enso-Gutzeit 20 Time Warner 23 Travis Perkins ____ Suinness 23 Warner Estate 25 Waste Manager

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Chief price hang terday

YE HERE

Merrill Lynch avoids trading slide

By Richard Waters in New York

The upheaval in financial dent the trading profits I US financial institutions Merrill Lynch and Other US banks, though, already reported sharp falls in trading income in 🛍 period, mainly because of tumbling prices in the emerging securities

Merrill Lynch and that its trading income | in Line first three months of the year, a

similar 📉 🖿 fourth quarter of the though down II per cent from the record \$761m reported in II- three months

Mr Joseph Willett, chief financial officer, said the result reflected the fact the form relied orders for land of its trading income bedged of lie positions. The firm also leading activities, with higher profits in offsetting declines in others.

during the quarter in trading emerging market debt, he said. Chase Manhattan sold off much of its holdings of emerging market debt early in the year, avoiding the worst of the blood

bath in these markets after the

Federal Reserve started to raise rates on February 4. Yesterday, I reported trading income of \$179m, in the with the Mills of a year before. Mr Michel Kruse, chief financial officer, said losses made on trading such will since of February Lat hou Merrill - "modest loss"

more by profits in disposing positions

particularly in the of the quarter," he Last week, First Chicago lost \$54m cm emerging market securities in the first quarter, leading || report overall trading loss of the in the

JP Morgan, thought in be the biggest trader of emerging marthe of the true from the

a year before. In the previous trading had boosted its revenues

to S606m.
Mr Willert that that used by Merrill to reduce in risk from its trading positions had held up relatively well during lim However, widening yield

spreads on corporate, emerging market and non-dollar debt instruments meant that "hedges will we be perfect"

Merrill Lynch, 19

Ciba and Sandoz forecast profits growth despite 3% fall in pharmaceuticals sales

Swiss drugs groups feel price squeeze

The and Sandos, in pithe illust pharmaceutical chemical provided new evidence yesterday of the squeeze un drugs prices in industrialised countries. Both sums said pharmaceuticals sales fell 3 Ciba's manufacturer.

Roche, other big Basle group, has shown a greater immunity to drug price cuts by reporting last week a 10 per cent rise in first quarter pharmaceuticals sales to SFr2.09bn.

Mr Marc Moret, Sandoz chairman, devoted his statement in the group's 1993 annual report, published yesterday, to the drugs price issue. He argued that many drugs played an important role in cutting healthcare denounced moves by governmaceutical industry & fighting disease, ma exploiting it."

In spite of the same Whiter profits growth IIII per "I would surprised if surprised able. in II past three years, In raise our profits steadily," III director emphasised that double-digit profit increases him been achieved in each of the past three years. Sandoz also forecast a 5 to 8 per cent rise in overall sales this year after last year's 5 per cent advance to SFr15.1bn. Ciba expected an increase in operating profit this year.

Both groups said II HI overall sales performance in the first quarter due partly to the strength of the Swiss franc. in quarter sales rose I per cent to SFr4.27bn while those of Ciba fell 2 per cent

The two companies' growth record



r-tax profit (SFibri)

sales fell 3 per cent to SFr2.1bn. The group said demand remained

include agricultural chemicals. rose 1 per cent to IIII Last month line reported manufactured and inches up 14 in 1993 to SFr1.7bn, become apparent.

Sales in Sandor's chemical and environment businesses, which publishes its 1993 today.

insurance considering raising its stake in ITC, Indian affiliate, in move protests at ITC. BAT has also proposed focusing ITC's around BAT's own core areas of tobacco and financial The plans could provoke con-troversy in India, where multigroups are often with suspicion. ITC, which 🖿 📖 a largest companies with Cibe share price (SA) in hotels, paper and oils well w tobacco and financial services. 900 Mr Seroze Vevaina, ITC's dep uty chairman, BAT and ITC 800 700

at a delicate stage. A senior ITC holder and said want world deflate morale here. BAT, which has a IIII per cent limited to the 13-member

min in FTC and nominates in board, exercised little control until the Indian government liberalised foreign investment rules in 1991. Companies which have recently re-established control under the new regime include Cadbury of the UK and Colgate Palmolive of the US.

Mr Vevaina said: "BAT are

interested in raising their stake. And they are interested in tobacco and financial services. What we need is a modus vivendi where we can help them grow their interests, and grow away from them in areas where they have less interest."

BAT said it was "not dogmatic" about being restricted to tobacco and financial services. But if we had a higher shareholding, the board would take a lot of convincing that we should investments outide those areas." The co are working on plans which would allow BAT to take substantial stakes in ITC's tobacco and financial services without having to invest in the hotels and other businesses. This could

involve splitting ITC.

The Indian government is not expected to object to such restructuring, but will keep a close eye on the price at which BAT increases its stake. Several foreign groups have bought in affiliates of up to 90 per cent of stock market prices, prompting claims of unfair practices.

Three domestic banks will bid for Banesto

Ciba's self-medication, diagnos-tics are Ciba Taim divisions

the growth while

sales in Sandoz's nutrition sector,

led in Online and Isostar,

jumped 25 per cent to SFr558m. Ciba's chemicals

The last to Banesto failed Spanish financial group which is to be and and month, yesterday largest domestic banks: Argentaria, the govern-banking tion: Bilbao Vizcaya (BBV); and Banco Santander.

The purchaser will become by far the largest financial institu-tion in Spain and a leading European banking group.

agement or risk control.

banks are most exposed to their

people," said one treasury consul-

money in computers and soft-

ware but you also have to find some degree of deterence: that achieved if people know they will

Traders at other Wall Street

firms were puzzled as to how Mr

Joseph Jett, managing director in

charge of Kidder's government

bond trading desk, was able to fake profits without being caught

by the firm's internal accounting

procedures. "We get our P&L

[profit and loss statement] from

separate department, so there are

checks and balances," said one

trader at a prominent investment

Yet, Wall Street execu-

tives point out that if an experi-enced profe hal running a

complex and fast-moving mount

ties trading desk wants to mis-

lead the firm about his activities

it is not easy to stop him. As Mr Michael Carpenter, Kidder's chief

executive, told reporters: "When

somebody is trying to obfuscate the systems for a deliberate pur-

pose, it's hard to always be pro-

tected against these things."

be regularly audited."

tant. "You can invest a lot of

The three informed the Deposit Guarantee Fund, the banking agency managing the Banesto auction, that they planned to make individual bids for the financial group. The result will be known by May 9.

At the same time the Banco Popular, fourth the banking

group, pointed to the dangers of a Popular, which the its rival

Militin had incoming the forcing document, said it would not bid "truncated" and "coaque" nature of Banesto's "excessive artificiality" in Banesto accounting procedures and commented on the "bad quality of its doubtful assets" and "the problematic evolution" of its future results.

Popular, which is 54 per centby foreign institutions, said while a Banesto acquisition "could be a normal risk for our colleagues, it represents a

risk for us". The bank said that when it reviewed a possible bid

for Banesto, it had discussed sell-ing Banesto's industrial assets to Hanson, the UK-based conglomerate, and Hanson had shown no

weak, except in the US, but an

upturn in orders from the UK,

France, Spain and Italy had

largest banking when the Spain intervened by year inspection discovil is grossly over-valued

A subsequent made and the had financing of of (\$4.3bn), a partly by truth of the land partly by Ptal80hn recapitalisa-

The three potential buyers Banesto have [111] April 25 to [111] for equity in the bank it currently held by II Deposit General Fund as a manif of the plan. The fund's shareholding represents 73 reconstituted capital and the aucbuyer be must maintain at heat 10 per same of this equity men four years.

Tracy Corrigan and Patrick Harverson explain the dangers highlighted by the Kidder affair

Investment banks, particularly in a strong bias When people of saying that greatest their people. prove to be a pre-tax charge taken by Kidder Peabody in the first quar-ter, as a result of a phantom tradcostly liability ing scheme devised by its head government bond trader, demonstrates also be a

management has become word financial Street in having suffered at the hands of a "rogue" trader. Three years ago, Salomon Brothers had institutions, many now now have global heads of risk manthe human

to pay hundreds of millions of dollars in fines and compensation after the head of its bond trading have faked in the of et up to deal with the complex Treasury securities. financial instruments which increasingly dominate trading activities. "Fundamentally, The main dangers for a bank

are that a trader may try to book false transactions or use inflated valuations for genuine trades either to inflate profits or to try to cover up losses.

guard against phantom banks should have an independent tim function, where (which trades) has a confirmuru with the purported counterparty", John Hitchins, ■ partner in ■ capital markets group at 1 --- Waterhouse. This L standard in the foreign exchange market, as most big banks automatically

confirm through Swift.

To stop dealers from fiddling valuations, the back office also needs to have independent ability to value positions. This involves prices from external feeds and having that own weeks he calculating positions.

In an attempt M bridge the growing gap between back office and increasingly complex trading activities, some banks have CTEated a new function which they call the "middle office".

They have an approximation of the markets but also come men

an accounting culture," explains Mr John Tiner, head of financial markets at Arthur Andersen in London. "Their job is often to recalculate the daily marking-to-market in order to compare tradrecords." Kidder admitted that it did not have such a function.

According to consultants and senior bankers, the separation of front and back office is virtually universal. The result is that "it is almost impossible for fraud to be conducted by one individual". said one consultant. "If you have a fake trade you need to have a fake settlement. Otherwise, the scam should show up pretty quickly. The problem occurs where you have collusion, particularly between front and back

Another consultant described it as folly to underestimate the ingenuity of people who want to defraud, once they have been working on a particular system. He pointed out that traders, who are trained to look out for and exploit the inefficiencies of markets, may take the same approach towards the systems designed to check them.

It does seem that in the case of Mr Jett, who earned \$9m last year, the risk/reward ratio so dear to traders was just not

But perhaps banks should brace themselves for further attempts. After sarning record bonuses last year, many traders will face massive falls in earnings in this year's bear market

£37,000,000 **Employee Buy Out**



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This are a supposed only.

enterprises and real estate, all ties to Mr Schneider, with simi-

in Leipzig, with the exception lar problems over delay in pay-

्राह्मा अस्ति स्थापना विद्यालया ।

Schneider summoned by

Treuhand over payments

of a purchase in Dresden. Mr

Schneider bought these proper-

ties from the Treuband's Leip-

zig branch between mid-1991

The Treuhand says it is owed

DM53m (\$30.9m). Yesterday it

passed the case on to the Leip-

zig and Frankfurt prosecutors.

It would not comment on why

it had not taken action earlier, given Mr Schneider's repeated

delays in paying for, or meet-

ing, interest rates. On November 16, 1992, the

Frankfurt developer bought

the Thomaskirche Hof, a pres-

tigious site in Leipzig. But he did not pay until March 17 this

year. The Treuhand is now

owed more than DMLSm in

nterest payments. Even before that purchase,

the Leipzig branch sold proper-

Chase profit tops expectations

and December 1993.

Accountants sued for L1,000bn

By Andrew Hill in Milan

Montedison, the Italian industrial company, is claiming damages of more than L1 000hn (\$611m) from Price Waterhouse Italy, part 🚜 the international accountancy group, alleging "serious negligence".

Sources at Montedison, which is the principal subsidlary of the Ferruzzi Finanziaria holding company, confirmed yesterday that ■ writ had been served on Price Waterhouse

Montedison's new management | that the company international auditing accounting standards

Alcatel plan

Stet opposed

Alsthom's ambitions L

participate in the privatisation of the Italian

blow yesterday when Mi

Romano Prodi,

IRI, the Italian when holding

be opposed a

significant role in the French

group.
Mr Prodi, whose company

52 per cent shareholding in the same he same why

should be at

unit of with "while we don't

have lie rights in

France". Mr Prodi said he was also

against mixing the manufac-

turers of telecommunications

equipment with service opera-

tors, and indicated his oppost-

tion to privatising Stet through

line formation 📧 a group of

Alcatel Alsthom has will

und it works in participate in

the privatisation 🔰 📖

through a partnership with Pirelli, the limited tyres and

Mr Pierre Suard, chairman

privatisation 🔳 Stet, linking

industry III Italian majority control. He is any

to await duri

fication the the privatisation, by the

core literalulation.

mbba group.

to buy into

By John Ridding in Paris

between 1983 and 1992, when it was Montedison's auditor. The first hearing in the case should take place in Milan on

Price Waterbouse Italy said yesterday it would "vigorously defend itself" against the writ. In a statement, the company said Montedison's claim was

May 24.

"based on the mistaken assumption that it is auditors, not the previous management [of Montedison], who were responsible for im deliberate and systematic fraud now known to have been conducted at the highest levels of

The writ had expected since November last

when shareholders in Ferruzzi Finanziaria (Ferfin) proceed with legal action against Price Waterhouse Italy. However, the scale of the

from the Milan court. Nor it known that the writ would relate to the period before 1987, when Montedison was taken by the Ferruzzi commodities then headed by Mr Raul Gardini, who committed suicide last

Montedison claim was not

known until yesterday's leaks

Price Waterhouse Italy has already lodged counter-claims in the Milan court, alleging that the former directors Montedison we "liable . . . for intended I frustrate normal auditing procedures" and claiming compensation for the damage to its reputation.

In August last year, Consob the Milan-based companies and stock market watchdog, refused to renew the firm's authorisation maudit Ferfin's

Part of the Montedison claim relates to the long-running "Enimont affair", relating to claims that bribes were paid to senior Italian politicians to smooth the way for the abortive 1989-90 merger between he chemicals interests of Eni. the state oil concern, and

Insurance side boosts Worms

By Alice Rewathorn

Worms, the French holding last year rise by 25 per 🚾 👊 FFr714m (\$122.46m), from FFr571m in 1992, dim mainly in a strong performance its

Mr Nicholas Clive-Worms, chairman, that the many had performed fairly year and that, an it was in a position, Worms was considering plans for expan-

identified of the for investment Insurance, where it may add to lis Athena Assurance busi-

Athena last year performed well and increased its contribution to group net profits by 26 from Demachy Worms, the bank, man by Mil per that to FF179m from FF173m.

Worms has been from Lim capital gains yielded by and year's into of its interest in Kinancière Truffaut. 🔙 luxury goods congiomerate, Mr Arnault, Inc. J ISI LVMH luxury goods

ionale de Navigation, the shipping subsidiary, made a net loss of FFr/8m in 1993.

The Arc Union property com-

pany stayed in the red: albeit with a reduced loss of FFr115m

against FFr252m in 1992 The contribution from Saint-Louis, the French food group which last week merged its prepared meals business with that of BSN, slipped by 4 per

Earnings per share rose to FFr21.70 in 1993 from FFr17.35 in 1992. The board has proposed an increase in the net dividend to FFr7.50 from FF77.00 over the same period.

Pinault warned over La Redoute takeover

Pinault-Printemps, the French retail group, has received a formal warning from the Paris the local of its abelian other in buy nai the minority holders in La Redoute, its mail order subsidiary.

The Commission Operations de Bourse (COB) announced that it had concluded after an investigation that the takeover offer was not fairly valued in terms of its to La Redoute's

Pinault-Printemps came under fire three years iron

terms of the Pinault group's Milamir of the All Printemps retail (III)

It we extremely unusual for the COB to issue a warning to company over the terms of a it did so was in the controversial takeover of the Yves Saint-Laurent fashion house by the Elf-Sanofi pharmaceuticals

However, IIII IIII II IIII empowered W WWW Pinault-Printemps to change the terms of the deal as it has no authority to do so in the case of the takeover of an existing subsid-

Rights issue from Avesta

By Christopher Brown-Humes

Aveau Sheffield, III Swedish-British Calles Mail producer, yesterday approved rights law in the an area and lift profits.

The curry plans by spend more than I Erlbu over the next three years, aiming to raise profits by SKr600m a year by 1997. Last year it cut losses after financial items to SKr98m from SKr674m in 1992.

The largest investments include the compeny's shops in shops in shops and Sheffield.

Budgens plan above costings

By Andrew Bolger in London

A plan backed by Rewe, one of Germany's largest food retailers, to open discount stores in the south-east of England has proved more expensive than

Rewe has ■ 29 per cent stake in Budgens, the small UK retailing chain which yesterday said the conversion of nine of its stores to Rewe's Penny Market format had led costings.

Shares in the UK group fell by 5p to 29p after it warned trading profits from the 89 stores operating the traditional format were likely to be 15 per cent lower than the previous year. However, Mr Christian Wil-

llams, executive director of Budgens, said the group was sticking by its plans to open 40 discount food stores in the south-east over two years. Budgens said it had origi-nally estimated the nine stores

could be converted for about £600,000 (\$876,000.)

Storehouse chief leaves for US post

By Neil Buckley in London

saw its Marie 110 to 218p yesterday after it announced that Mothercare executive Ms Ann Iver-son was leaving in join Mel-ville, one of the largest diversified retailers in the US.

The resignation of Ms Iver son, "In developed "fun" store concept including talking trees and singing clocks in revitalise Mother care, 🜆 🖩 blow for Sto which was owns the BHS clothing chain. It comes Illust more than a per aller the departure of Mr David Dworkin, the American chief execu tive credited with turning the group around, who recruited Ms Iverson from the US.

Mr Dworkin quit in Febru ary 1993 to become chief executive of Carter Hawley Hale, US department store group. Lex, Page 16

After-tax earnings at Chase Manhattan comfortably expectations during 🖿 first quarter as 🚾 bank recorded profits on series of asset First-quarter net income more than had a language or

II is share, recorded in the first period in IIII The disposals, which included real estate assets, loans to loping and so-called "Brady bonds", helped push net earnings for

By Judy Dempsey in Berlin

The Trenhand, the eastern

Germany privatisation agency,

had summoned Mr Jürgen

Schneider, the head of the col-

lapsed construction group that

bears his name, to a meeting in

Berlin tomorrow. He faces

question over why he was

behind in payments for

properties bought from the

Mr Schneider, who fled Ger-

many shortly before the col-

lapse last week, and is now

missing, had already been sent

several letters by the Truehand

seeking clarification on why be

was not keeping up with inter-

est payments. There were also

inquiries into delays in paying

for other properties acquired

from the agency.
The properties, employing over 2,000 workers, include

By Richard Waters

In New York

Treuhand.

share, against market expectations of around \$1.15 a share.

Trading revenues, at \$179m. against \$175m a year earlier, were boosted by the sale of loans made to countries which had not reached a debt restructuring agreement, mainly Brazil.

"Several hundred million" dollars of these loans had been switched into the bank's trading account at the end of last year, said Mr Michel Kruse, chief financial officer. Most disposals were made in the first weeks of the year, before prices

the period to \$364m, or \$1.80 a ... on such loans traded in the secondary market fell.

ments. On August 1, 1991, he

bought Bergwerk Eigenturm

Kleswerk, a gravel company. Lest week, the Treuhand was

still owed DMI 3m in outstand-

ing payments, plus DM340.000

in interest payments, in con-

The Bau und Plannune

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Gesellschaft Leipzig, a con-

struction company, was sold to Mr Schneider in November

1991 for DM42m. The Treuhand

is owed DM7.3m in interest. A

further DM437,000 in interest

payments is owned from Octo-

ber 8, 1991, when Mr Schneider

bought Gastronomie Service, a food distribution business in

Leipzig. Interest payments

exceeding DM350,000 are out

standing for Unwelt Technik

Luftreinhaltung, an air

cleaning husiness.

nection with the deal.

The bank also recorded a \$53m profit from selling real estate assets held in its accelerated disposition portfolio. These sales also reduced the carrying value of remaining assets in the portfolio to \$121m.

A further \$79m gain came from selling investment securi-ties, up from \$6m a year before, as Chase disposed of Brady bonds, securities issued by developing countries which have reached debt restructureign bank creditors.

NationsBank maintains margin

rates failed to dent firstquarter net interest income of NationsBank, enabling the North Carolina-based commercial bank to report stronger than expected earnings, writes Richard Walley

The margin on NationsBank's underlying at 4.16 per cent, identical in the vaar before, increases in money interest

US banks increased their prime lending rates - the rates on which leans to many customers are based - by only a quarter of a percentage point at the end of March, lagging the half-point rise in money market rates engineered by the Federal Reserve during the first three months of the year.

Yesterday's quarter-point rise in money market interest rates threatens to eat further into banks' interest margins. which have stood at historically high levels in recent quarters. However, Banc One said yesterday it was boosting its

prime lending rate by half a percentage point to 6.75 per cent, having raised it from 6 per cent at the end of March. Including the lower-yielding trading assets of Chicago Research and Trading, a deriv atives company acquired last year, the net interest margin at NationsBank as a whole was 3.69 per cent.

GOVERNMENT OF GHANA DIVESTITURE OF STATE INTEREST IN ENTERPRISES

The Government of Ghana, acting through im agent in Divestiture Implementation Committee, invites offers for the purchase of the following enterprises.

Interested investors are invited in contact the Secretariat of the Divestiture Implementation Committee to register their interest and to obtain detailed information on the enterprises.

Details of requirement for a formal proposal will be provided to prospective investors upon registration.

Planterprise	Brief Overview of Business	Clocking Date for Submission of Proposal	Special Requirement
Ghana Qil Palm	Operates palm plantation oil mills.	13.5.94	Joint Venture
Development	Purchases palm fruit little outgrowers.	4 10	-
Corporation	crude and red palm oil and palm kernel. Operating		Outright
	facility H a mill imported from (William) and Intelliged		_
	between Present In all output capacity of		
• • •	III III FFB/Hour.		
GIHOC	Specialises in canning of intal fruit and vegetables	13.5:94	Joint Venture
Cannery	and production of alcoholic mil non-alcoholic		111
Nsawam,	beverages. Its products include fruit syrup, marmalade,		Outright
Weachi &	jam, man purce, paste, soup, Schnapps, wine,		
Pwalugu :	brandy and non-alcoholic beverages.	A CONTRACT OF THE CONTRACT OF THE	
NIC Lemps	Manafacture of Fluorescent Tubes	13.5.94	Outright sale
Tema Shipyard	Shipbuilding, repair and formarian and engineering	13.5.94	Joint Venture
und Drydock	work. Services provided include drydocking, ship		ar Leasing
Corporation	repairs, III and metallocking.		
	drydocks, slipway, plate shop, and stockyard.		
	Facilities used since seem in need of rehabilitation.	***	
CINOC	Manufacture of Pharmaceuticals in Accra.	13.5.94	Joint Venture
Pharmaceutical			or
Company			Outright Sale
Jimited.		•	

Proposals should submitted in willing envelopes, clearly marked and million ==

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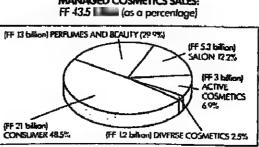
GROWTH IN L'OREAL'S CONSOLIDAT	TED RESULTS	
•	1993	% increase compared in 1997
Consolidated turnover	FF 40.16	
Profit ordinary activities limited lexistion, employee profit-sharing and capital gains and losses	ff 4.49 billion	+ 12.1%
Net profit before capital gains and losses and minority interests	FF 2.94 billion	+ 13.3%
Net profit before capital gains and losses and after minority	FF 2.59 billion	+ 12.5%
will earnings per share and investment certificate	FF 44,40	+ 155000
Proposed dividend	FF (V):80	+ 12.5%

This year, as in previous years, Mr Lindsay OWEN-JONES, Chairman and Chief Executive Officer, has invited analysts, journalists and investors L'OREAL's Head Office and announce and review the The results of the L'OREAL Group.

Despite a difficult international environment in 1993, L'OREAL continued III record volume growth and to increase its market shares. Group strategy remained focused on internationalisation in brands, research and development and the marketing of innovative products. L'OREAL's consolidated turnover amounted

FF 40.16 billion, representing increase of WV pared to 1992, and ma on u comparable basis, that is, using identical structures and exchange rales. Total managed sales, which include sales generated

by agents whose industrial and commercial activities BREAKDOWN BY DIVISION OF 1993 MANAGED COSMETICS SALES:

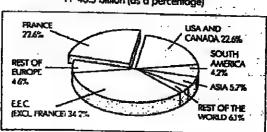


are managed by L'OREAL, reached FF 50.95 billion. Net profit before capital gains and losses and. minority interests reached FF 2.M billion, an increase of 13.3% compared to 1992. With a slight increase in minority interests, consoli-

dated net profit before capital gains and losses and after minority interests increased by 12.5% to FF 2.59 billion. earnings per share and investment certificate increased to FF 44.40 compared to FF 39.50 in 1992, an increase of 12.5%

The Board of Directors of the L'OREAL Group has decided to propose a net dividend of FF 10.80, an increase of 12.5% compared ₩ 1992, at the Annual General Meeting to be held on Tuesday, 31 May, 1994. This dividend applicable to both ordinary shares and the few investment certificates still in circulation.

> GEOGRAPHIC BREAKDOWN OF 1993 MANAGED COSMETICS SALES. FF 43.5 billion (as a percentage)



Further Information on the Group worldwide can be obtained by writing to the Investor Relations and Business Information Department of the L'OREAL Group, Office No. ■ 0403, 41, rue Mortre, 92117 CLICHY (FRANCE): or by fee: (33-1) 47568002

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INTERNATIONAL COMPANIES AND FINANCE

Merrill Lynch posts record profit

Merrill Lynch, the biggest US securities house, yesterday reported me per cent improvement in first-quarter to a record \$372m, or \$1.68

The firm maintained its profits growth in spite of recent increases in interest rates, which have cut into trading profits at all the last favourable interestrate environment primarily

commissions and management income.

Committeenes mas 20 per cent in ma quarter, s \$868m, reflecting investor in financial management portfolio climbed 23 === 1 \$444m, w 35ml ===11 under management at Merrill Lynch grew per em in 1 1 \$164bn by | 1 1 1 1 1

Elsewhere, the earnings picture was not as bright. Revenues from principal transacsecurities in itself and in cus-year in itself and in cus-advisory in lower

Merrill said Ilm although from trading in equity derivatives, equities, commodities and mortwere up mur the three months, higher interest rutes for its larger ruye. nues from trading debt, municipal securities, money market luthers and non-US government and

underwriting earnings. III revenues - primarily

gains - war 72 per New to III lin is side, Merrill's non-interest climbed 3 per 1 in \$2.2bo, reflecting M in employee

payments, man are the company's earnings. Yesterday's results had little impact on the rime price, which sale \$14 to and on the

spending on exploration

PanCan lifts

The Canadian Pacific group's most profitable subsidiary, PanCanadian Petroleum, will spend a record C\$725m (US\$523m) on exploration and development this year, includ-ing C\$600m in western Canada, said Mr David O'Brien,

uresident. The emphasis is on finding more natural gas. PanCana-dian holds the biggest land

ern Canada. Mr O'Brien said although the company's debt level was low, PanCanadian preferred to grow internally because of the high cost of acquisitions.

investment in a joint venture oil project in Russia because roduction was not profitable. The blended price available for Russian crude was about US\$13 a harrel, well below the current world price for con-

rentional oil, said Mr O'Brien. PanCanadian's total oil production rose 30 per cent in 1993 and gas output was up 20 per cent. In the first quarter this year oil output rose 20 per cent while gas was little changed. PanCanadian expects to report first-quarter profit of more than C\$50m, well up from a year earlier.

Emerging markets help Coca-Cola to 18% rise

By Frank McGurty in New York net income of \$521m, an 40 EU was an anaemic 2 per 📼

Coca-Cola yesterday 📶 an "exceptional" performance in emerging markets helped it achieve an II 🛒 🛲 Indi in met earnings in the first quarter.

The results The US regathering (Lan after several pour of landlustre growth.

The world's largest said strong and as in "leading rull" leading rull tralia, offset soft market condi-European U.

For the line three months of year, the many posted

cents share, make Allen us at tests, in the correspond-

advanced 10 per mil lo \$3,35bn, compared with \$3,05bn year earlier. The improvement was struck on # 7 | cent wolume, exceeding in

company's projections. The results particularly impressive in view of continuing weakin many important mar-kets. International unit case rales climbed in more ent, and largely u a 33 per in north-east Europe and in the Middle East.

inched I per cent ahead. The importance | | overseas markets, which account for III per cent of lias Calab

with a 3 per cent decline in the

UK. In Japan, unit volume

was underlined by its performance in India, where at the and of last war in the first time since 1977. In the first quarter, it 12m cases. In the US. Will volume

jumped by 7 per cent, than Invalor IV around 4 per results were a little bet-

ter than analysts had expected. In early trading on Wall Street. the stock was marked up \$% to

Abitibi slides deeper into red

Abitibl-Price, the world's newsprint producer, continued in post in the in quarter. However, it expressed confidence that signs of stronger III consump-tion III bring III improvement this year.
The Toronto-based company

posted . C\$43.9m (US\$31.7m) operations, equal to 57 cents a share, up from a loss of C\$27.9m, or 40 cents, a year --earlier.

However, the latest quarter includes a C\$21.6m write-down on a newsprint mill in Manitobs, which the company is handing over to its employ-

 $-\alpha = \varphi_{\mathcal{A}}$ the second

का अस्ति 🚎

12.2 · Paring (Sales rose to C\$471.6m from

Average US newsprint selling prices were 3 per cent lower than in the previous three mouths, and 6 per cent below the first quarter of 1998. Predictions of an improvement are based on signs of rising newsprint consumption and a sharp fall in customer invento-

> Like other North American newsprint producers, Abitibi announced a reduction in dis-The said it was a second of the said it had implemented a 7 per cent

> Offshore newsprint shipments were 27 per cent higher, and US dollar prices rose by 4 per cent against the previous

The market for uncoated other speciality, has been stronger, with volumes up 7 per over the

Consumption of super-

Canada bank expands in Chicago

livestment banking rese-

agency securities.

By Laurie Morse in Chicago and Bernard Simon in Toronto

Bank Montreal me begun a long-planned expansion has the rapidly consolidating Chicago banking with u purchase of Suburban

Bancorp.
The deal Suburban, which has with Bank of Unit + I Chicago subsidiary, Harris Bancorp, with assets of

Under the transfer of the of Montreal will around own line for set of har-ban's. Based on Friday's markets, II will pay Suburban, or III

Suburban Bancorp community banks in Chicago's suburbs, and the majority of its stock is owned by me of the Gerald Fitzgerald family,

which has agreed to the sale.

The acquisition will boost the Chicago profile of Harris Bancorp, which has banks in 42 locations and is the parent of Harris Bank, one of the live largest mills in the city of Chicago.

acquisition for there where the Bank of Mostrell a per pay unveiled plans in triple its Chicago subsidiary's earnings and market share within a decade. It is competing for acquisiwhich view Chicago as one of the largest and most profitable banking markets in the coun-

Bank Montreal will file a prospectus with the Securities and Exchange Commission in Washington relating to the pay for acquisition. A yesterday the Land man probably . I listing on a US limit exchange later this

Canada's III is expand it is operations in the US, especially in Corporate far. however, they will be couraged by the high prices nanded for acquisitions.

Nabisco finalises takeover

RJR Nabisco, 15 US 100 ml tobacco Terrabusi SA, one Argentina's companies, affir a long must

Terrabusi recorded sales of year, a 🗐 🚾 🚟 increase over the comments of pre-tax profit num en per cent cracker and Argentina's lear colling pours brand.

contrast, growth in the

him bought 70 per per of the company from controlling family. The is still held by public. transaction, but analysis in paid s245m and private by multinational since Argentina embarked in a market or ordered stabilisation programme in

The last year has surge in acquisitions by com-panies from the US, Europe, Chile and Brazil. Buyers have focused on the food industry because Argentina is a large, low-cost agricultural producer.

Universal Foods sells subsidiary

Universal Foods of the US is selling its frozen foods business to ConAgra, the diversireports Milwaukee.

The purchase price reflects a premium over book value, but no details were disclosed The proposed sale, for cash,

of the frozen foods business

was a step in Universal's stra-

ents company, the company The Universal Frozen Foods division produces frozen potato international markets. Division

sales in 1993 were Universal said it expected to use proceeds from the sale to and invest in technology, process improvement and product

development. "Consistent with our long-term goals, 🗪 🗤 also advertising flyers and ber acquisition possibilimagazines, especially ties," Mr Guy Osborn, man, said.



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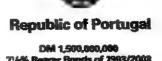
DM 500,000,000 6% Bearer Bonds of 1993/1997 with Deferred Rute Setting



DM MARKET Floating Rate Notes of 1994/1999

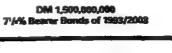


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(the "Senior Bondholders" and the "Senior Bonds" respectively)

the holders the outstanding per cent. Junior Bonds due of the (the "Junior and the "Junior respectively)

NOTICE IS HEREBY GIVEN

that the separate Meetings of the Senior Bondholders and the Junior Bondholders convened by the Essuer for 3ks March, 1994 by the Notice dated 9th March, 1994 published in, among others, this newspaper on that date (the form of which is set out in the Explanatory Statement referred to below) were adjourned through lack of a quorum;

that an adjourned Meeting of the Senior Bondholders convened by the laster will be hold at the offices of Allen III Overy at New Change, Lundon ECZV 6AD on Wednesday, 4th May, 1994 at 10.00 a.m. (London time) for the purpose of considering and, if thought fit, passing the Extracal of Senior Bondholders set out below, which will be proposed by the Issuer as an Extraordinary Resolution; and

that an adjourned Meeting of the Junior Bondholders convened by the Issuer will be held at the above venue on the same date (London time) (or so soon thereafter as the adjourned Meeting of Senior Bondholders referred to above shall have been concluded or further adjourned) for the purpose of considering and, if thought fit, passing the Extraordinary Resolution of Justier Bondholders set out below, which will be proposed by

"THAT, subject to the obligation to pay interest due on 31st March, 1994 on the Senior Debt, as defined in a Trust Deed dated 24th Sep between the Issuer (1), Heron International N.V. and various other Heron Head Office Division Companies (2) and The Law Debentume Trust Corporation p.l.c. (the "Trustee") as trustee for holders of the Senior Bonds and the Imnior Bonds (3) (the "Trust Deed"), owing to the Signatory Banks (as defined in the Trust Deed) being deferred by the Signatory Banks until 30th June, 1994 (the "Deferral") on the terms described in the copy of the Explanatory Statement (the "Explanatory Statement") produced to this meeting and for the purpose of identification algred by the Chairman thereof by amendment to such documentation and by such other means as the Trustee shall agree, this meeting of the holders of the outstanding £205,639,869 7% per cent. Senior Bonds due 1995-1997 of the

assents to the modification of the terms and conditions of the Senior Bonds as pristed on the reverse thereof and in the Fifth Schedule to the Thrust Deed by the deletion of the first sentence of Condition 5(1) thereof and the substitution therefor of the following:—
"The Senior Bonds bear interest on their outstanding principal amount from day to day from and including 30th July, 1993 at the rate of 7% per cent, per annum, payable on 30th June, 1994 (the "First Interest Payment Date") in respect of the period from and including 30th July, 1993 to but excluding 31st March, 1994 (the "First Interest Period") and thereafter in arrear on 31st March in each year in respect of a full year (each such date, together with the First Interest Payment Date, an "Interest Payment Date"). In addition to the interest payable in respect of the Senior Bonds on the First Interest Payment Date in respect of the First Interest Period, the Senior Bonds shall be at Interest ("Additional Interest") from day to day from and including 31st March, 1994 to but excluding the First Interest Payment Date at a rate of 7% per cent, per annum on the amount of interest which would otherwise have been payable on 31st March, 1994 but for the modifications made to these Conditions and the Trust Deed pursuant to an Extraordinary Resolution of the Senior Bondholders passed at a meeting of the Senior Bondholders held on 31st March, 1994 and such Additional Interest shall be payable by the Issuer on the First Interest Payment Date."

and assents to all such modifications of the terms and conditions of the Senior Bonds and of the provisions of the other Relevant Documents (as defined in the Trust Deed) consequential to such modifications to Condition 5(1) as are set out or described in the Explanatory Statement; assents to:-

the extension of the form of the Post-implementation base few money retinues (as defined in the Trust Decti) and set out or described in the copy of the Explanatory Statement produced to this Meeting and signed for the purposes of identification by the Chairman thereof and on the basis that Interest in respect of indebtedness under such facilities will accrue and be charged during the period of such extension on the same

basis that uncress in respect to an authorized the payment of fees under the Deferred Standfast Fees Arrangements (as defined in the Trust Deed) on the basis that interest will be charged in respect of amounts outstanding under the Deferred Standfast Fees Arrangements during the period from and including 31st March, 1994 to but excluding 30th June, 1994 at a rate agreed with the persons to whom such fees are due as set out or described in the copy of the Explanatory Statement produced to this Meeting and signed for the purposes of identification by the Charman thereof and to be

psyable on 30th June, 1994 together with such fees;
the continuation of the security and priority rankings currently afforded to, respectively, the Post-Implementation Date New Money Facilities and the Deferred Standfast Fees Arrangements pursuant to the Head Office Medium Term Arrangements (as defined in the Thust Deed) during the extensions of the terms of such facilities and arrangements as contemplated in sub-paragraphs (i) and (ii) above, the priority and ranking offorded to the Post-Implementation Date New Money Facilities for the avoidance of doubt to extend to all further advances made thereunder and the respective priorities and rankings for the avoidance of doubt also to extend to interest accruing; and assents to all modifications of the provisions of the Relevant Documents or the Head Office Medium Term Restructuring Agreement (as defined in the Trust Deed) as are set out or described in the copy of the Explanatory Statement produced to this Meeting and for the purposes of identification aligned by the Chairman thereof including without limitation any such modifications as may be necessary to give effect to such extension, deferral and continuation of security and priority rankings:

assents to the Deferral and to the neutron limitation and such assents to the Deferral and priority rankings:

assents to the Deferral and to the payment of additional interest at a rate of 7% per cent, per annum on the amount of interest which would otherwise have been payable on 31st March, 1934 to the Signatory Banks in respect of the Senior Debt owing to such Signatory Banks but for the Deferral on the basis set out or described in the copy of the Explanatory Statement produced to this Meeting and signed for the purposes of identifications by the Chairman thereof and assents to all such modifications of the provisions of the Relevant Documents and the Head Office Medium Term Restructuring Agreement as are necessary to give effect to the Deferral and such payment of additional interest;

sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Bondholders and the holders of the Compons apperaining to the Bonds in bearer form or the rights of any other person against the Head Office Signatory Companies (as defined in the Trust Deed), whether such rights shall arise under the provisions of the Relevant Documents or the Head Office Medium Term Restructuring Agreement or otherwise, involved in or resulting from the modifications referred to in paragraphs (1), (2) and (3) of this Resolution; and

authorises and requests the Trustoe to concur in the modifications referred to in paragraphs (i) to (4) inclusive of this Resolution and, in order to give effect thereto, forthwith to execute a Supplemental Trust Deed in the form of the draft produced to this meeting and for the purposes of identification signed by the Chairman thereof with such amendments (if any) thereto as the Trustoe shall require, to concur in and execute and do all such other deeds, instruments, acts and things as may be necessary to give effect to such modifications and to give all such waivers, consents and approvals under the Relevant Documents or the Head Office Medium Term Restructuring Agreement as may be necessary or appropriate in connection with the assents,

Extraordinary Resolution of Junior Bondho

"THAT, this meeting of the holders of the outstanding £30,239,743 to per cent. Junior Bonds date 2000 of the lancer constituted by a Trust Deed dated 24th September, 1993 (the "Trust Deed") made between the Issuer (1), Heron International N.V. and various other Heron field Office Division Companies (2) and Tho Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the holders of the Junior Bonds (3) hereby sanctions, pursuant to provise (3) of puragraph III of the Eighth Schedule to the Trust Deed, the Extraordinary Resolution of the Senior Bondholders set out in the notice of meeting of Senior Bondholders dated 9th March, 1994, sanctions each modification, extension, deferral, payment, continuation, abrogation, compromise and arrangement referred to in that Extraordinary Resolution and hereby authorises and requests the Trustee to execute and to do all such documents, acts and things as are authorised and requested by the Senior Bondholders III paragraph (5) of that Extraordinary Resolution."

The Extraordinary Resolution of the Senior Bondholders set out in the notice of meeting of Senior Bondholders dated 9th March, 1994 is identical to the

Further Details

Details of the background to, and the reasons for, the Extraordinary Resolutions and details of the proposed modifications of the provisions of the Relevant Documents and the Head Office Medium Term Restructuring Agreement (both as defined in the Trust Deed dated 24th September, 1993 made between the Issuer (1).

"It is the second of the Senior Bonds and the Junior Bonds (3) (the "Trust Deed")) are contained in an Explanatory Statement dated 15th March, 1994 prepared by Heron International N.V. (the "Explanatory Statement") copies of which are available for collection at the specified offices of the Paving Agreement (but heless. Paying Agents set out below

The attention of Senior Bondholders and Junior Bondholders is in particular drawn to the quorum required for the adjourned Meetings which is set out in paragraph I of "Voting and Quorum" below.

Copies of the Trust Deed (including the Terms and Conditions of the Senior Bonds and the Junior Bonds) and the draft Supplemental Trust Deed referred to in the Extraordinary Resolution of the Senior Bondholders and of certain other relevant documents are available for inspection by the Senior Bon Junior Bondholders at the specified offices of the Paying Agents set out below.

In accordance with normal practice, the Trustee expresses no opinion on the merits of the proposed modifications but has authorized it so be stated that, on the basis of the information set out herein and in the Explanatory Statement, it has no objection to the respective Extraordinary Resolutions being submitted to the familiar and the Junior Bondholders for their consideration.

Voting and Owersus

l. (a) Bearer Senior Bonds am Junior Bonds A holder of one or more Senior Bonds or Junior Bends in bester form ("Bester Bonds") wishing to attend and vote at the relevant adjourned Meeting in person must produce at such Meeting either the Bester Bond(s), or a valid voting certificate or valid voting certificates issued by a Paying Agent relative to the Bester Bond(s), in respect of which he wishes to vote.

A holder of one or more Bearer Bonds not wishing to attend and vote at the relevant adjourned Meeting in person may either deliver his Bearer Bond(s) or voting certificate(s) in the person whom he wishes to attend on his behalf or give a voting instruction (through Euroclear or Cedel S.A. or on a voting instruction form obtainable from the specified offices of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and vote at such Meeting (or, if applicable, any further adjourned such Meeting) is accordance with his instructions.

vote in such wheeling (or, in applicable, any harder adjourned such wheeling) in accordance with the arteriorious.

Bearer Bonds may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control (which shall include being blocked in a securities account at Euroclear or Cedel S.A.) until the time being 48 hours before the time appointed for holding the relevant adjourned Meeting but not thereafter for the purpose of obtaining voting certificates or giving voting instructions in respect of the relevant adjourned Meeting. Any Bearer Bond(s) so deposited or held will be released at the conclusion of the relevant adjourned Meeting (or, if applicable, any further adjourned such Meeting, unless the relevant voting certificate is cancelled before the time appointed for holding any further adjourned such Meeting or, as the case may be, the relevant voting instruction is revoked by the time being 48 hours before the time appointed for holding any further adjourned such Meeting).

(b) Registered Bonds or Junior Bonds in registered form ("Registered Bonds") wishing to attend and vote at the relevant adjourned Meeting in person may do so whether or not he produces to the Chairman of such Meeting the Registered Bonds) of which he is the registered bolder. A holder of Registered Bonds not wishing to attend and vote at the relevant adjourned Meeting in person may by a form of proxy in English (obtainable from the specified offices of the Paying Agents set out below) signed by the holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duty authorised officer of the corporation, appoint any person as a proxy to act on his or its behalf in connection with such Meeting (or, if applicable, any further adjourned such Meeting). To be valid a form of proxy (together with the power of attorney (if any) or other authority under which it was executed or a notarially certified copy of such power or authority) must be delivered to the specified office of the Registrar or any of the Transfer Agents (being also the Paying Agents set out below) not less than 48 hours before the time appointed for holding the

Any holder of Registered Bonds which is a corporation may by resolution of its directors or other governing body authorise any person to act as its representative (hereinafter called a "representative") in connection with the relevant adjourned Meeting (or, if applicable, any further adjourned such

Voting certificates issued, and voting instructions given, for either of the Meetings convened for 31st March, 1994 will be valid for the relevant adjourned Meeting unless they are, in the case of voting certificates, cancelled before the time appointed for holding the relevant adjourned Meeting or, in the case of voting instructions, revoked or amended by the time being 48 hours before the time appointed for holding the relevant adjourned Meeting. The quorum required at the adjourned Meeting in Sentor Bondholders and at the adjourned Meeting of Junior Bondholders is in each case two or more persons present holding Sentor Bonds or Junior Bonds, as the case may be, or voting certificates or being proxies or representatives whatever the principal amount of the Sentor Bonds or Junior Bonds so held or represented by them.

Every question submitted to the adjourned Meetings will be decided on a show of hands unless a poli is duly demanded by the Chairman of the relevant

every question submitted to the adjourned intertains with or decided of a slath of naios taness a post is only demanded by the Issuer or the Trustee or by any person present holding a Senior Bond or a Junior Bond, as the case may be, or a voting certificate or being a proxy or representative, whatever the principal amount of the Senior Bonds or Junior Bonds so held or represented by him. On a show of hands every person who is present in person and produces a Bearer Bond or voting certificate or is a holder of Registered Bonds or is a proxy or representative shall have one vote. On a poll every person who is so present shall have one vote in respect iff each £t in nominal amount of the Senior Bonds or Junior Bonds, as the case may be, so produced or represented by the voting certificate so produced or in respect of which he is the registered by the voting certificate so produced or in respect of which he is the registered holder or a proxy or representative.

To be passed, an Extraordinary Resolution of either the Senior Bondholders or the Junior Bondholders requires a majority in favour consisting of not less than three-fourths of the votes cast. If passed, an Extraordinary Resolution of either the Senior Bondholders or the Junior Bondholders will be binding upon all the Senior Bondholders or Junior Bondholders, as the case may be, whether or not present at the relevant adjourned Meeting and whether or not voting, and upon all holders of Coupons appertaining to the Beater Bonds.

By order of the Board of Directors

Bezuidenhoutseweg 33, 2594 AC The Hagne, The Duted: 19th April, 1994

> Principal Paying Agent The Chase Manhattan Bank, N.A. Woolgate Street

Own Paying Agents Chase Manhattan Bank Luxembourg S.A. I Ruc Plactis

Chese Manhattan Rank (Switzerl 63, rue du Rhône

Banque Limit Lambert S.A.

Deutsche Bank AG

24 avenue IIIIIII

THIS NOTICE IS IMPORTANT. IF SENIOR BONDHOLDERS OR INVESTIGATION ARE IN AIR DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD CONSULT THEIR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER

INTERNATIONAL COMPANIES AND FINANCE

McDonnell Douglas down 38% as airliner sales fall

Douglas, I III and aerospace group, yesterday reported a 38 per cent drop in first-quarter net income, due to unusual gains a

Operating income, however, rose 20 per cent as improved efficiencies and property sales helped offset sharply lower sales of commercial aircraft. The group, which two years ago was suffering under a

heavy but burden, in reported that stronger-thanexpected cash flow of more than \$430m had allowed it to cut further its aerospace debt burden, which totalled \$1.404hn at the end of March, compared with \$1.625bn at the end of December and down 49 per

Eli Lilly has formed an alliance

with generic II.L. Which signals

drive w Us pharmaceuticals

companies extend the range

Under the exclusive arrange ment, Lilly will have the rights to sell Mylan's com-

By filling out the range of drugs it sells, Lilly hopes to

strengthen relationships

with managed care organisa-tions, which are becoming the

dominant buyers of drugs in

Time Warner, the US

day reported a first-quarter net

ioss of \$54m, compared with \$124m a year ago. It registered

a slight rise in operating earn-

strong growth in its film and publishing businesses were partly offset by dips in

The group and makes at

earnings before interest, taxes,

depreciation and amortisation

(Ebitda), for the group and for

Time Warner Entertainment.

\$3.485km. That compared with

earnings of \$632m on revenues

Time Warner Entertainment.

a subsidiary grouping its

ness, HBO cable channel and cable systems, reports its oper-ating results on a deconsoli-

The group, which was left

with a heavy debt and depreciation burden following the 1989

merger between Time and

Warner, tries to focus attention on Ebitda as a measure of its

14 cents a share, against a net marketing.

of \$3.277bn a year earlier.

cable and music.

dated basis.

By Nicholas Denton

Fotex, the private Hungarian THE STUDY BE HARD \$70m

new met through in largest

international equity offering

by an European CS Boston, global m

ordinator, all and a fully and a fully through an inter-

up by inclinated investor in

Europe and the US, including

European Fund.

Mr Varszegi, Francisca executive, principal

shareholder and eastern

Europe's individual, individual, and maintained in holdings

24 per cent. Fotex and CSFB had planned

to raise between

Miles had referred which con-

their ambi-

tions. Prospects of a rise in US

interest rates, and sharp falls

stock markets contributed to a growth.

national placement in 1991. The was also

of products they sell.

an 18 per cent drop in revenues, to \$2.953bn from drop in commercial aircraft manufacturing sales.

The group's net earnings for the quarter totalled \$134m, or \$3.41 a share, compared with \$216m, or \$5.51 a share in 1983. However, stripping out unusual gains last year totalling \$122m, or \$3.10 a share, McDonnell group produced a rise of 42 per cent in the net

Mr Herb Lanese, finance director, said he was very comfortable with Wall Street earnings per share forecasts of \$12 to \$13.50 for the full year, given that the company's weakest quarter was traditionally the

The military aircraft business produced operating earn-

Mylan to expand product range

which could lead to

co-operative agreement to

others' products in

maintenance organisa-

and other care

Lilly's move, which drove its

share price \$1% higher to \$48%,

also marks the growing compe-tition in the anti-ulcer market.

The multi-billion dollar market

is shaping up to become one of

the most competitive in the

Tagamet, the prescription drug made by SmithKline Bee-

and Mylan's drug is set to

become the first generic version to hit the market. At the

period of last year.

Mr Gerald Levin, chairman,

said the growth in Time Warn-

er's copyright businesses had allowed it to sustain an

increase in Ebitds, in spite of the Federal government's first round of the re-regulation of

industry prices has September. The significant

sheet during the past year had hand improve limearnings

business produced a record

HBO produced record earn-

ings of \$61m, up 11 per cent,

WAI THE CHIEF CHICAGO INV. A

drop to live from \$255m

because of the new govern-

ment regulations.

round of government price reg-

median will go into effect

The publishing business,

The Warner music business

to marginally ly

general mr. among

The ilm of the imme was also limited by Mr Varszegi's reluc-to dis-

count. The was priced

only marginally min in pre-

vailing Ft507

Ties in Mark on the Buds-

pest exchange and traded over the counter in London, Munich

and Frankfurt. To group's

Alle Lines in the York and

Plans Mapply M Nas-

Firm had it would be part I me proceeds in complete in

purchase Keravill,

Hungary's largest chain selling

electronics and appliances.

Audited of profit (\$10.3m) in

1993 turnover grew 83.4 Mr Var-

szegi forecast a doubling

ach == and profits in 1994,

due in roughly equal measure

day meeting.

on the Turkish and Warms in acquisition and organic

FT COURT OF A FACILIANCE RATES

supplied directly wour PC. For more information

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Warner Brothers' film

per share figures.

around mid-year.

per cent to \$70m.

Underlying performance.

The net loss after preferred dividends worked through at programming and

Hungarian retailer's

equity offer nets \$70m

THERE.

cent from we year before.

Time Warner trims

net deficit to \$54m

m, loses its patent shortly,

Eli Lilly forms alliance with

The improvement came ings of \$166m, compared with \$99m a year ago, largely due to the F/A-18 programme and the \$3.517bm, the result of \$3 per C-17, a controversial military cargo aircraft which was prof itable in the quarter, compared

with break-even last year. The commercial aircraft side was marginally profitable; with \$3m of operating earnings against \$12m a year ago, due to reductions in overheads and improvements in productivity.

It delivered only four MD-80 twin jets and three MD-11 tri-jets during the period, down from 11 and nine respectively a

Mr Lanese said that McDon-nell expected twin-jet deliv-eries in the low 20s and tri-jet deliveries around 20 in 1994, but he thought this would be the low year of the current cycle, with the market improv-ing in 1995 and 1996.

drug that is patented until the year 2002, is facing potential

competition both from Cimeti-

Lilly yesterday reported a 5 per cent increase in first-

quarter 111 \$1.84bn, com-

pared with a year before. Oper-

period fell as a result of a higher tax rate and a \$56m

the recall of

some of the company's

biotics. After-tax profits were

\$1.14 m share, down

from \$362.6m, or \$1.27m (before

the effect of accounting

changes) the year Worldwide pharmaceutical grew by 3 cent.

Metals cuts

loss to \$21m

Reynolds Metals, the US

first-quarter net loss shrank to

\$21m, or 46 cents it share, from \$33m, or 55 cents, a year ear-lier. Sales rose to \$1.8bn; from

\$1.2bm, largely because of ris-ng shipments of aluminium

aluminium processor, said its

Reynolds

net income for the

ahead 16% in first quarter

Whirlpool

Whirlpool, the US manufacturer of domestic appliances, yesterday reported a 16 per cent increase in compara-ble first quarter net earnings. helped by strong sales growth in the US, Latin America and Asia and cost-cutting in

Whiripool reported net earnings of \$67m, or 90 cents a share, compared with a net loss of \$162m, or \$2.27 a share, in the first quarter of 1998. when it took after-tax charges for a new accounting standard and for financial services subsidiary accounts.

Without the charges, 1993 earnings were \$58m, or 81

cents a share. Revenues for the latest quarter totalled \$1.87bm, up from

The group's home appliance operations reported earnings of \$64m on revenues of \$1.830m, compared with earnings of \$51m on revenues of \$1.760m. Mr David Whitwam, chairman, said that in terms of operating earnings, we are well on our way to what we expect will be another excellent year

In North America, shipments reached record first-quarter; levels and ran ahead of the The course of th

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industry, which grew about 8 per cent.
Whirlpool said that expectations for full-year 1994 industry shipments in North America had risen to 6-7 per cent better than last year, due mainly to stronger volumes of air conditioners and microwave

in Europa Whiripool had a

in Europe, Whithpool had a slight gain in shipments but turned in its best first-quarter, operating results by continuing to make significant cost reductions.

The company said central Europe, including new sales organisations in the Slovak and Czech republics, had contributed nicely to first-quarter volumes.

Whirlpool's sale of its European compressor business to Embraco of Brazil was expected to be completed in the second quarter.

Eyton steps. down as PWA chief executive

packaging and containers. While our loss of \$21m continues to reflect the impact of excess world aluminium inventories and low pricing, it shows a 35 per cent improvement

said Mr Richard Holder, Reynolds' chairman. Aluminium shipments in the quarter fell to 345,000 termes, from 352,000 termes last time. Primary aluminium shipments dropped to The from received an average price of 61 cents a pound for primary alu-minium against last year's average 57 cents.

By Robert Gibberjs in Montreal

Mr Rhys Byton, 68, has stepped down as president and chief-executive of PWA, parent of Canadian International Afrlines, but will become board chairman. Mr Kevin Jenkins, operating head of the airline, will succeed him. Mr Eyton, criticised for overpaying for competitor Wardelr in the 1980s, led PWA's fight to survive through the long recession, which culminated in a C\$246m (US\$177m) equity infusion by American Airlines.

Telefonaktiebolaget L M Ericsson

(L M Bricsson Telephone Company)

The Annual General Meeting of the Company will be held at the Victoria Hall, the Stockholm Fair at 5.00 p.m. on Tuesday May 10, 1994.

The following will be on the Agenda of the meeting: To present the Annual Report and the Auditors' Report
 To present the Consolidated Accounts and the Auditors' Report.

on the Group

3. To approve the Profit and Loss Statement and the Belence Sheet

4. To approve the Coasolidated Profit and Lots Statement and the Coasolidated Balance Sheet for the Group

5. To discharge the members of the Board of Directors and the Managing Director from liability ermine the appropriation of the profits, provided the bal

7. To fix the record day for payment of the dividend declared 8. To determine the payable to the members of the Board of Directors and to the Auditors 9. The elect members of the Board of Directors and deputy members.

9. The elect members of the Board of Directors and deputy members.

10. To elect Auditors and deputy Auditors.

11. To resolve that the Company shall be a public Company as proposed in the government bill 1993/94-196 and to resolve that the Articles of Association be charged as a consequence thereof.

12. To approve the Board of Directors' proposal to change \$10 of the Company's Articles of Association without members of deputy Auditors will be required).

13. Any other matter which according to the Company's Act and to the Articles of Association shall be dealt with at the mosting.

Shareholders intending to participate in the Annual General Meeting shall give attendance the Head Quarters of the Company, Corporate Legal Affairs, S-126 25 Stockholm, iel. nos: +46 (0)8 719 3444 or TIJ 4498 between 10.00 a.m. 4.00 p.m. daily, not later than on May 5, 1994, at 4.00 p.m.

In addition to the above requirements, shareholders intending to participate in the Annual General Meeting must be entered in the share register kept by Vacutepapperscentralen VPCAB (Swedish Securities Register Centre) not later than on April 29, 1994.

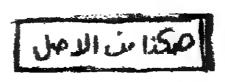
eholders, whose stares are registered in the name of an agent, must temporarily be entered into the share register in order to be entitled to participate in the Meeting. The shareholder is requested to inform the agent in due time before y April 29, 1994, when such registration

In order to participate in and to vote as proxy on behalf of a shareholder. at the Meeting a power of attorney must be presented.

The Board of Directors has proposed May 16, 1994, as the record day for payment of dividends, Provided this proposal is approved, the dividend is expected to be dispatched by Vaerdepayperscentrates VPC AB on

April 1994

The Board of Dissertors.



INTERNATIONAL COMPANIES AND FINANCE

Another Australian wine group for market

ahead 16

quarter

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100 13.12 P. 15. By Nikidi Tait in Sydney

Australia's rapidly-expanding quoted wine to gain another new entrant with the flotation of Simeon Wines, the country's largest supplier of contract wine and grape juice and incorporating the Buronga Hill winery in New South

Simeon Wines has been formed as a holding company by Orlando Wyndham, the Australian wine producer which is a by France's Pernod Ricard. Orlando injecting Buronga Hill into Simeon, along with fully-developed vineyards. The new company will also own land at Padthaway and Cowra, which is due to be

Under the flotation plan. 12.5m shares in Simeon are being sold to the public at A\$2 each, along with 12.5m vertible notes, also at Orlando Wyndham retain deferred participation ordinary in in Simeon, equivalent in an in-per cent holding once all notes are converted. At the issue price, and fully-diluted

basis, Simeon will be capital-ised MA\$61.6m (US\$43.3m). Simeon said yesterday that the funds raised would help to expand the winery's and finance the vineyard development. At present, the Buronga Hill winery an annual crushing 50,000 tonnes.

The enormous recent export success of Australian wines - particularly in UK - the industry under pressure to expand is med demand. As a regult, a number of companies - including BRL HArdy and Rothbury Wines – have listed on the stock mar-ket as a means of raising capitel Last month, BRL Hardy issue, and Australian Vintage, based in South Australia, is also in the process of joining the stock market via a much smaller share

- anyone ing about the choice of name for the latest market entrant should refer to the Bible. Orlando Wyndham is hand

Two bidders for State Bank NSW

Bidders for the State Bank of New South Wales have contracted to two from six interested parties, the NSW state government said, Reuter reports from Sydney.

The government put the sale of the bank up for tender in December. The two remaining bidders - not yet named -have entered the due filigence

Combined net losses at Randgold group increase

By Mark Suzman in Johannesburg

The four gold producers in the troubled Randgold another disappointing quarter
productivity
materialise the group had to make provisions for after an accident at its Harmony mine. The mines' combined after-tax loss compared with R17,29m in Um December quarter.

Mr I Turner, chief executive, said overall yields had remained than expected.
Combined with long-standing forward in the contract of gold prices significantly spot. this group from taking full advantage of the improved gold price.

Overall are milled increased slightly to 2.26m tonnes unt quarter, but output dipped further to 8,758kg from 8,941kg.

At Rand Proprietary Mines, expected productivity improvements resulting line introduction of soven-day west proved unadalist in the scheme had to be scrapped as a mall of mineworkers. Nonetheless, ERPM group's only mine to stay in in the with all in profits R3.19m following R16.87m R16.87m Previous

Harmony, the group's bigmine. an improved afterprofit of R9.67m, compared with DESTRICT was been directly expected costs for the clean-up after I'm collapse of a slimes

Further provisions are possible as third-party claims made, but the company it adequate insurwas to some three,

Durant Roodepoort Deep improved slightly, turning in after-tax loss of compared will star but Mr Turner said new capital expenditure and development "absolutely essential" 🔤 🚃 vival and that the mine would

Blyvooruitzicht reported an afronished least of MALMON manpared the reflecting a melhal adhe is yield to

Citic Pacific in HK3.82bn share issue to fund expansion

To Lames Luces in House Ware

Citic Pacific, the Ikms Kong listed arm of the Belging investment company, HK\$3.82bn (US\$492.3m) worth of new shares to fund a series of tunnel and property acquisi-tions and to provide a treasure chest for further capital expen-

The acquisitions are to be injected into Citic Pacific from parent Citic HK under a series of share asset swaps, which the Ister Kong listed arm rrise in the Western Linker Crossing, one of the most important projects in the

the Eastern Lararm Crossing and the Shanghal Tunnel.

The Water Italian Crossing is scheduled for completion mid-1997, while it expected to be for an average cross harbour flow of 69,000 vehicles a day, increasing to 160,000 by the year 2023. The total budgeted project cost FIK\$7.5bn.

Two Hong Kong properties, one honey residential and one industrial, are being switched into Citic Pacific, both at prices which represent a III per mal like mill to marlet variations community independent

THE MAN TOPPESON around of enlarged capital

at HK\$23, representing discount of around and per cent to the closing price on Friday when Ille transaction

Following the deal, Citic HK marginally loosens its grip on the Hong Kong User arm, down to 42.78 per cent from

of the new Citic Pacific shares, 66m will be swapped with Citic HK and a lim tranche of 100m, worth tal expenditure led 🛍 💷 down death

THE OF Citic Pacific also and they had analyd plans to spin off Dah Chong Hong Holdings, the motor distributor.

Austrian energy utility lifts half-year earnings

By Petrick Blum in Vienna

Energie-Versorgung Nieder-österreich (EVN), the Austrian regional energy utility, yesterday announced a rise in massiing profits for the dimension months will in February, with increased sales of electricto private and industrial cus-

Earnings from ordinary operations amounted in totalling Sch6.13bn. The ings reflected an increase of 7.8 per cent over the figure for the same period a year earlier.

The improvement actived despite a mild winter and pointed to strong results for the full post the communication

The positive neally were rifer ted in a 45 per cent rise in the value of EVN shares on the Vienna stock exchange, with the price of a rating by Moody's.

share rising to Sch1,596 in February from Sch1,100 on Sep-

The company le looked to expand its activities in central and eastern E recently signed co-operation agreements with JMP and JME, ral gas and electricity respec-

tively. This follows two mulier agreements signed will JCE, a south Hobourness electricity manuficiant, and Degaz, the Hun-

garian gas supply company.

agreements represent
in a

which we hope will to
EVN taking stakes in one or
more of these companies," said Mr India Gruber, IVVI chair-

Man.
Last week EVN was manifely a AA+ rating on its senior long-term debt by Standard & Poor's, and a Aa3

Enso to bid for balance of **Dutch offshoot**

By Christopher Brown-Humes in Stockholm

Enso-Gutzeit, forest products group, said yes-terday it planned to tighten its grip on Berghuiser Papierfa-briek, its struggling Dutch

shares in the company. "The offer would be a first step towards a further integra tion of Berghuizer into the Enso group, with the intention of providing better safeguards for [its] continuity", it stated. Enso already owns 57.8 per

cent of the company.

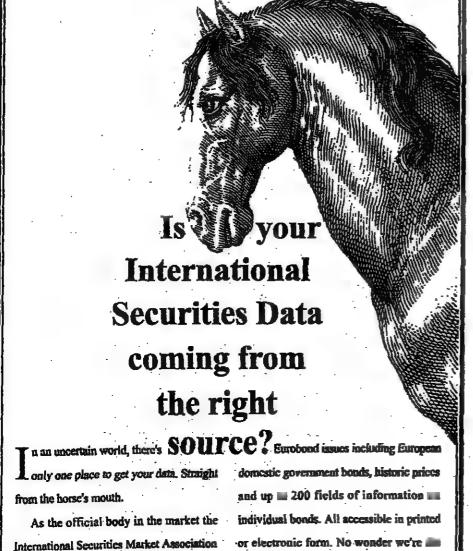
Berghuizer specialises in high quality copying and writing papers. Last year it made a Fi 14.8m (\$7.7m) loss on sales of \$1.94.8m. It is not consected to F1 194.8m. It is not expected to improve this year.

Enso said its offer would be based on a price of F150 per Berghuizer share, against a F147 market price.

RANDGOLD

Gold mining companies' reports for the guarter ended 31 March 1994

Blyvooruitzicht Gold Mining Durban Roodepoort Deep, Limited Company, Limited 40 192 47 643 (7 451) 1935 (8 626) 70 900 cit 900 (7 800) (7 900) (7 900) (2 1379) 27 ace ec ace (2 790 (2 240 (1 SE2 [1,013] (5 826) East Rand Proprietary Mines. Harmony Gold Mining Company Limited Limited Year 10 date \$1,00,54 37 489 94 479 94 7 The state of **45 050** 1 NOTES



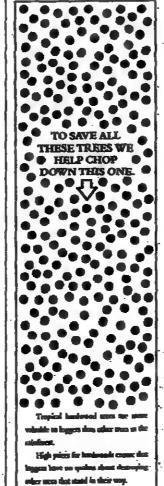
has more data, more easily available than market's most sought after resource when it

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COMMERCIAL PROPERTY This section appears

GUARANTEED NOTES DUE 1995 is hereby given im for the limit period im 18th April 1994 in 18th April 1994 in 18th October 1994, the rate of interest will be 2.625% per amount. The interest payable on the 18th October 1994 will be Yen 133,438 per each Yen 10,000,000. Note Agent Hank : The Minni Trust and Stanking Co., Ltd., 071- 873 3211

Bank of Greece ECU 200,000,000 Floating Rate Notes Due 1997 Floating Rate Noses Due 1997
In accordance with the provisions of the Notes, notice is hereby given that the Rate of Luterest for the three snouth period ending 18th July, 1994, has been fixed at 7.09766% per annum. The intending for such three month across for such three month across will be ECU 1.794.12 per ECU 10.000 and ECU 1.794.13 per ECU 10.000 Bearer Note, on 18th July, 1994, against presentation of Coupon No. 9.
Union Bunk of Switzerland Landon Branch Agent Bank
19th April, 1994

13th April, 1994

ORIX IRELAND FINANCE PLC

YEN 28,080,000,000 FEXED AND FLOATING RATE

every Friday in the Financial Times. For advertising details or for further information, plank Hall-Smith

Wall Fargo Company US\$100,000,000 Floating rate subordinated nous due July 1997

The notes will bear interest at 4.3125% per curum for the period Mapril Interest payable on 19 July 1994 will remain to per US\$10,000 note and per US\$50,000 note. Trust Company **JPMorgan**

HE CLEY'S BOOK MAKES The Market Leaders is speed based - Fernand and Sports For a leading and an absolute updepation form call UT (20.) 3067 Accounts one manually uponed within 72 liques. See our up-to-chas prince forto: 50 % m un Yelchus page 605



COMMERZBANK OVERSEAS FINANCE 7% YEN 5,000,000,000.- Bonds II 1989/1994

According to 8 5 of the Terms and Conditions of the Bonds all Bonds will be redeemed at 10.73662% of the nominal emount.

The Bonds shall cause to beer interest as per April 20, 1984. The as per April 21, paid separately.

MFC Finance No. 1 PLC

Nortgage Backed Floating Rate Notes Due October 2023

In with Terms and the notice is hereby given that the new interest rates and periods respect of the subject Notes are as follows:-

Commerzhank Overseer Finance N.V.

CITIBAKO

Petroleum Argus

Aktienpasellschaft, Frankfurt/Waln

Redemption as per April 21, 1994

The will be paid



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Treasuries plunge after surprise move by Fed British Columbia in By Frank McGurty in New York and Sara Webb in London increasing the discount rate, at surprise to the Mattir recovered to trade at 95.47 by By Frank McGurty in New York and Sara Webb in London increasing the discount rate, at surprise to the discount rate, at surprise to the Mattir recovered to trade at 95.47 by Sand Sara Webb in London in the bank-increasing the discount rate, at surprise to the discount rate, at surprise to the discount rate at 95.47 by Sand Sara Webb in London in the bank-increasing the discount rate, at surprise to the discount rate at 95.47 by

and Sara Webb in London

US Treasury bonds plunged yesterday morning after the chairman of the Federal Reserve surprised the market by announcing a move to lift third time in two months.

30-year government bond was 14 lower at 865, with the yield rising to 7.377 per cent. At the short end, the two-year note was down & to 99 h, to yield

Early in the session, prices were drifting lower in quiet trading. The market was jolted out of its slumber by the 10am statement issued by Mr Alan Greenspan. The Fed chief said

ing system, a move which is expected to lead to a boost in the Federal Funds inter-bank lending rate, from 3.50 to 3.75 per cent.

Most traders had not expected the Fed to act until the short-term interest rates for a next meeting of its policy-making arm on May 17. Last week, By midday, the benchmark many were speculating the 30-year government bond was move would coincide with Friday's release of data on March capacity utilisation. When the figures proved tame, and the morning passed uneventfully,

the market let down its guard. Prices at the long end of the maturity range quickly shed nearly a point, stabilised and then dropped a further % of a point. Traders said the losses Greenspan. The Fed chief said the central bank would the Fed had not acted more "increase slightly" pressure on aggressively, perhaps by also

which the central bank lends money to banks.

Near midday, the long bond again began iii retrace its

GOVERNMENT **BONDS**

losses, pulling the short end off

■ European government bond markets plummeted as news of the rise in US short-term interest rates. Bond futures contracts lost between a point and two points on the day, breaking through key support levels which then triggered further selling by investors. While most of the activity took place in the futures markets, the steep fall pulled cash

"It was a bit of a meltdown." sald Mr Steve Major, bond analyst at Crédit Lyonnais.

bearish note yesterday morning as investors digested the implications of the Bundeshank's small easing last week. "Investors are reconciling themselves to the fact that the Bundeshank is going to continue with its slow pace of easing, cotting three or five basis points from III repo at a

time," said one bund trader. While the Bundesbank's interest rate cut last Thursday prompted several other European central banks to follow suit, there was disappointment that the Bank of France left its intervention rate unchanged at 5.90 per cent yesterday. The French notional bond

opened at 123.94 and fell to a late afternoon. low of 121.94 after breaking through the key support level Europe opened on a fairly of 122.00. The contract settled at 122.02.

"The European markets were and in the near term we can expect to see technically driven trading. All the markets are breaking important support levels, and this is trigger-ing stop-loss selling," said Mr Ifty Islam, bond strategist Merrill Lynch.

German government bond market fell sharply too: the Liffe bund futures contract opened at sall and quickly reached the high of the day at 96.57 before drifting lower. But news of the Fed tightening sent the futures contract down to low of 95.36, after which it

High-yield European markets suffered even bigger losses with Spain and Italy falling

nearly two points on the day.

driven by weakness in the US, and in the near term we can contract fell nearly two points, again prompted by the unsettl-ing news from the US and despite relatively favourable economic fundamentals. Friday's good inflation figures, and the prospect of "gilt-posi-tive" news this week on the economic front did little to stem the selling, dealers said.

However, before the US news was released, and while market conditions remained relatively calm, the Bank of England sold out its tranche of £150m of 2% per cent index-linked stock due 2011, announced on Friday.

SBC, he said.

By Conner Middelmann

The Canadian province of British Columbia plans to launch a \$2bn Euro mediumterm note programme (EMTN) arranged by Lehman Brothers. a finance ministry official said. The programme, which is due to be launched in early tomid-May, is part of an ongoing process of diversifying the province's borrowing sources and broadening its investor

base, said Mr Jim Hopkins,

assistant director of debt management at the finance ministry of British Columbia. The dealer group will include Deutsche Bank, J.P. Morgan, UBS, Goldman Sachs, Morgan Stanley, Merrill Lynch and

British Columbia a lent of \$4.3bn has been issued to date under the programme, bond market, which it first which was established in used in 1983. Last year, it March 1993.

issued a C\$1.25bn global bond as well as two Canadian dollardenominated Eurobonds with maturities of 12 and 30 years. its borrowing requirement for the financial year 1994 95 totals C\$4.1bn, down from last year's C\$4.8hn

British Columbia has the highest credit rating among Canada's provinces. Standard & Poor's rates its long-term debt double-A-plus while Moody's accords it a double-A-1

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The Finnish Ministry of Finance has appointed arranger Morgan Stanley, Goldman Sachs, Lehman Brothers, Merrill Lynch, and UBS as dealers for its \$10bm debt instruments. The equivalent of \$4.3bn has been issued

US rate rise unsettles potential Eurobond issuers

An unexpected in US Marie Marie Park terday afternoon upset a promising start to the week in the Eurobond market. Syndicate said several borrowers had been close to launching Eurobond but were unsettled by the mar-ket volatility trig-gered by the Federal Reserve's

"The market probably I other currencies too,"

syndicate manager. L-Bank, the recently renamed development of Baden-Württemberg, was putting the final laudie to its long-awaited D-Mark but today's planned launch was in US

37 basis points over the five-year Treuhand bonds due Octo-ber 1999.

L-Bank and the lead managers, Deutsche Bank, J.P. Morgan and Salomon Brothers, are expected to take a final decision this morning on whether the deal should go ahead. Syndicate managers said L-Bank's dithering was creating a backlog of D-Mark Eurobond issues. For example, KfW.

INTERNATIONAL BONDS

agency for redevelopment. thought in la last in raise DM1.5bn an offering of 10-year Eurobonds but waiting for L-Bank's larger offering to be out of the way. the rue in Canadian govern-bond yields to attract investors to its C\$200m issue of five-year Eurobonds which due to be launched today via Daiwa. The bonds are likely to be priced to yield between 20 30 las points the five-year area of the Canadian government bond yield

Spain is reported to be seeking from From Firms on an I 10-year Eurobonds. Frim hilt on this issue is around 15 basis points over the yield on Uni French government's Ecu

Among yesterday's issues, 3i, the UK capital capital un-pany which is earmarked for a partial flotation later this year, took advantage of steady market conditions in the morning E 150m through un

points Libor was described and syndicate managers said the notes sold quickly with around two thirds going to UK inves-

their re-offer price of 99.725 to 99.75. The offering replaced an FRN how which called earlier this year. Standard & Poor's affirmed its double-A rating on the long

German luxury car, and defence group, but changed its outlook to nagative from stable to reflect difficult operating conditions facing the company's key areas.

	INTERNATIONAL	
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2bn	6.625	102.05	Apr.1999	1.75		
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Polish Development Bank plans debut

--- Low compan yield --- Medium coupon yield --- High coupon yield ---Apr 18 Apr 18 Yr. ago Apr 18 Apr 18 Yr. ago Apr 18 Apr 18 Yr. ago

Apr 16 Apr 16 Yr ago Apr 16 Yr, ago Apr 18 Apr 16 Yr, ago 8.92 8.93 8.97 8.97 8.78 9.40 8.97 5.85 5.60

The state-owned Polish Development Bank (PDB) is planning an issue of short-term hard currency bonds through the ING Bank in London, in Poland's first appearance in the international capital mar-

The PDB sees the \$100m three-year programme as paving the way for the govern-ment's plans to place \$1.5bn worth of bonds abroad once the country's 43 per cent reduction deal on its \$12.2bn debt with the London Club of commercial bank creditors is finalised this autumn.

Terms on what is effectively a certificate of deposit pro- balance sha gramme have yet to be fixed 2lotys.

7.15 5.98 7.89 7.86 7.64 8.09 7.80 8.49

ALT EDGED ACTIVITY BIDICES

but the ING says that they will be above Mexican bank yields and below Brazilian or Argentine bank yields. The CDs are to be issued for between a week and six months but initially they will be limited to 90

The PDB siready has a domestic CD programme in place serving companies. Issaid on the Warsaw stock exchange. The bank, which is 91 per-cent state owned, is itself planning to apply later this year for a Warsaw bourse listing conpled with a new share issue which would boost its capital from its present 1,207.8bn zlotys to 1,407.3bn zlotys. Last year the PDB reported a 147.9bn zloty net profit on a balance sheet worth 6,882.2bn

7.40 7.23 7.88 7.80 7.45 7.67 8.26 8.20 7.96 8.62 7.67 LH 8.05 7.90 8.60

Abr 18 : Apr 15 - Yr. ago

news Prior rise, market the D-Mark floating rate talk on the five-year issue. which could be a bound by contrast.	issue of five-year floating-rate 3-mth Libor + 14%, b) Casable on 12/5/98 at par. e) 6-mth Libor +0.5% to 12/5/97 a	ate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) at par. c) 6-mth Libor +0.6% to 12/5/96 and 8% fod annual annual thereafter. f) Callable on 20/5/97 et per. g) 6-mth Libor +0.47% to 20/5/ fod annual in 1st yr and 6-mth Libor fed, max 8%, thereafter. f) Callable on any coupon date Libor fet coupon. Id Short 1st coupon.
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CONYERTIBLE BONDS 99,40 99,78 99,95 99,95 99,95 99,95 90,94 100,15 99,95 99,96 99,96 99,97 98,97 98,97 98,97 99,97 89.85 99.97 100.05 99.92 100.05 99.97 100.02 100.04 99.85 100.04 99.85 100.00 90.00 90 8.7899 3.8290 5.8290 5.8290 5.8000 5. 1087 1127 1087 1087 1082 1082 1083 1083 1083 1083 1083 1083 1083 4.17 3.16 4.14 4.43 3.88 4.31 3.16 3.34 4.51 4.51 4.51 4.51 4.51 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 10 Corne, Instance Price +75.24 +16.02 +1.72 +27.65 +12.55 92% 100% 104% 117 1155 185 182% 85% 85% 102% 115% 81 81 81 81 81 81 81 +15.39 +11.42 +12.95 +10.72 -26.55 +18.49 +21.57 +97.21 95⁵8 102³8 108¹8 6.88 6.88 6.01 95¹4 102¹2 106¹8 125

COMPANY NEWS: UK

Strength shown in final quarter continues into current year

Morgan Crucible rises to £66m

By David Wighton

ns debut

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2 2 2 g

Morgan Crucible, speciality materials group, reported an 8 per cent increase 🕷 266m in pre-tax profits for the year to January 4 after a strong quarter.

Mr Bruce Farmer, managing director, said that "very changeable" had had a high with the trend tinuing into the current period.

"Some improvements in demand are beginning is show through in the III and Australia and the and a the me on the Continent now to be over." Mr Farmer also hinted that close **u** the future **u** Holt Lloyd, the car chemicals subsidiary where profits almost doubled to \$7.7m

it would not dilute earnings this year," he said.

The group, generates 85 cent of turnover outside the UK, learned sales by 16 cent (1684m). Excluding the impact of exchange rate movements and acquisitions, III a per cent with intake up per cent. Operating profits rose by 15

r cent to £81.1m (£70.7m), showing underlying growth of just under 3 per cent. The interest bill jumped (£9.3m) but should fall

Operating margins slipped in IVI per cent (10.3 per mail but Mr Farmer In that price and predicted that margins could mean to between to Thanks to in international

"If it sold the way I want and 14 per in two in three expansion Morgan Crucible time.

All the group's four divisions reported higher profits includthermal ceramics which, in spite of "very difficult" conditions in continental Europe during the first half, contributed £22.3m FG The carbon division, which made £17.3m (£15.6m), did not experience the downturn un the Continent until the second half.

med to top (18.7p) and the dividend in held in 12.6p with a proposed final of 6.85p. Operating low nearly doubled to and there was a net cash inflow of compared with an out-

Earnings per share me 7 per

O COMMENT

flow in 1992.

flotation by June

well-placed for the 1990s. It is already resum the rewards in China, where it got is ahead of the crowd, and is now planning green field carbon plant in Vietnam. Despite this continued investment it in finally generating cash and with a sale of Holt Lloyd likely M raise more than £80m Man of yet another rights to The have bubbled up in

has had a less traumatic time in this recession than a decade ago and with 39 per cent of its sales in the Americas and 9 per cent in Mail Asia it looks pretty Norcor, a corrugated board maker in Norwich, Norfolk, in planning to float on is stock market by June. It hopes in raise sufficient new to repay £17.5m debt, while motes totalling a similar amount are likely to

Once floated, the group should be capitalised 🖬 between and and and ungeared. However, Norcor, adding another 1p originally Norwich Corruto 381p yesterday. They plans to spend £5m in £6m on a complete rebuild of settle me given the premium M M four machines men the next my years, which will require debt finance.

UBS, the to the issue, is also the parent of Phildrew Ventures, one of Nor-cor's largest follow-ing £36m management buy-out in 1989. Phildrew and

other will retain their shareholdings in the group. If the second largest force in the "sheet innimarket, buying paper, making corrugated board and silve it box manufacturers.

Profits have been fairly through me recession, with operating profits in 1993, compared to charges have kept IIm group in

over lim period. The MBO failed is med profit targets and are refinin 1991, with

forecasts of £73m

The transaction, funded the East reserve borrowing, District of the borrowing with Mid-Century Trust, the pri-

retail muster in Luton, north London and Southwithin - would almost likely the vehill of property 🛌 🗀 about £20m.

Guinness offshoot chief

"We've sold a number of lossmaking pubs and

hotels and 13 pubs, however, 🚾 📖 pre-tax losses III £323,000 in III im months III Septem-Turnover fell from Line III I although interest payments contained was pur

Mr lar said the group which has on paid

Norcor Johnson Fry £12.5m in planning red after restructuring

By Simon Davles

Johnson Fry, 🔤 financial and investment group, incurred a pre-tax loss of £12.5m in 1993 due 🖿 the impact of asset sales and a radrestructuring, but a sharp improvement in oper-

ating profits. The company add its LIT business last July. resulting in a book in the 27.8m, me LILLA goodwill

Total exceptional losses amounted la late in late obscuring operating profits 🛋 £12.2m, which compared with of the in little

M a leading spream M bustness expansion schemes, Johnson Fry brailing from the schemes phased net at the end of

it raised the low the schomes 📷 year, generating

£6.6m. This income will not recur.

Last year was a watershed for the group, which had started 1993 as LIT Holdings, the heavily indebted parent company of the lossmaking

LIT America business. Following the (£16.1m) sale of LIT America and the radical capital reconstruction, it now has a profitcore business, negligible long-term debt, and a market capitalisation increased from £3m 🗎 🖽 🗀

Johnson Fry Property from Him property schemes, and the will multillists man agement and during the system lives of the lit contributed £2.24m (Decym) in Tue

The investment management made Willia (£372,000). should rise this year, it gets full year contribution

profit of £15.8m, up from from its per utilities investment trusts, and other new

products. The purpose will consider the resumption of dividends year. Lower per share in 1993 came M 103.1p (8.1p).

COMMENT

a difference a year makes. Johnson Fry is now cash rich company on the lookout for opportunities in expand by acquisition, when a year earlier it was a financial wreck, But last year's gives little sense of itsfinancial strength, not just because of the restructuring, but because of BES. Brokers expect pre-tax profits of £5.5m in www putting Makumis on a p/e of 11.5. A distributed in 125 most in justified, given the lack of a meaningful track record, be man falling per mil in Sp yes. terday, the shares offer specu-lative value.

Eastern Elect completes 5% share buy-back

(£4.1m) on sales II IIII

Rastern Electricity. electricity electricity electricity in Ipswich, has pleted purchase 13.5m of its own shares, representing 5 per cent of the latel equity, It bought a har desire yesterday price of 675p. The closed 8½p up at

13.5m shares bought Eastern received permission for I I cout share land 4-12-2 annual meeting. Other regional power compa

are likely similar authorisations della AGMs. £110,000 bonus

Sir Christopher Lewinton, chairman of Ti Group, was last year paid = £110,000 percompany saw pre-tax profits

for TI chairman

increase 43 per incl The bonus, on len at a increase in basic sal-M £558,000 and benefits-in-kind, took Sir Little Little total package la excluding pension group Under the

Harmony Property in £7m mixed portfolio expansion

the agreement Mr

will remain available for

His departure, alier little

more than year as head of was said if the life is be

due to a personality clash with

Mr Tony Orient Customer

riblines and chief comilies

paid 2777,000 fn 1992.

consultation by in company.

By 11m Burt

By Paul Taylor

Mr Crispin Davis, former

managing director of United

Libitiliana in Guinness spirits

division, who reduced from the group in Contact by

mutual agreement, will remain

cash and in men benefits

Will 2670,000 awar the two

years The compensation

for of office are

Harmony Property yesterday signalled stage in the transformation from a pubs and with the man acquisition mixed commercial and retail portfolio.

vately-owned property developer.

Mr Lewis Davis, Harmony's managing time-tor, and acquisition - involving

we're now developing in property side, where me have expertise," he said. A weak performance from the group's two

against a Could deficit time.

in a position to an so was year The shares were suspended on the little yesterday pending a transfer to the Official List.

£265,000 settlement receives £670,000 pay-off for Hillsdown director

By Maggle Urry

Hillsdown Holdings paid compensation for ima of office of 2265,000 in Mr Simon Moflal when he relief as finance director in April last The amount was revealed in the many annual

Mir II. the in 1993, receiving £648,000 in recruited as finance only the proces June, but his had "not worked recommended. Its Anthony Tannant, his predecessor, was and markets by silled

side". Hillsdown said at the

The report also showed that Mr David Newton, chief executive, region - lold of for land compared with a 1262,000 in 1992 plus - bonus of £490,000 that year war related to his five year stint in Canada.

Mi John Nott, chairman April 30, received 1111,000 duying the year pho pension contributions of £40,000.

Board claims countered in Regina dispute

Mr Shiraz Malik-Noor, the major Regina, pushing for ment on the board of the USM-quoted royal jelly pany, has bell a re-call letter to shareholders countering IIaccusations of the current

chairman. Mr Malik-Noor is involved in a limit in control of Regina's

ica i di Geoghegan, chairman, ... Mr Tony Shakesby, finance director. They have sent three against Mr Malik-Noor. Mr wrote that US polo in married are made

jointly with Mr Geoghegan and Mr Franki, who have mills ised the move as a waste M money. He will said that intermt at later in Bertan by a company was in arms-length negotiations which de include appointment Mr tive one to the board will be voted as an antransnary medica on April 25.

Low voids level helps LAIT rise to £1.52m

London & Associated Investment Trust, the shopping announced for 1983. The company said the advance the managing the rent roll with a low level m

On turnover of £3.92m (£3.56m) profits wire £1.52m, against £1.1m restated for were 1.48p (0.9p) and dividend is raised to 0.64p (0.58p) with a proposed final of 0.59p.

Net assets per share advanced from 39.1p to 48.6p, a rise of 24 per cent. A revaluation at the period end resulted in a surplus of £5.8m.

Since iiii end of iiii year LAIT acquired Dagenham's shopping centre, taking its number of shops to 580 and walue of portfolio India Gearing at the per and was per cent, which expected to to 51 per after the Dagenham purchase.

Blaichi Mining, LATT's was owned associate, reported pre-tax profits of 240,000 (2161,000) making a £125,000 provision mainly against investments in South

(2358,000). per were 0.04p (1.29p earnings). The final, and gle, and the is the latest

Africa. Turnover 2406,000

DIVIDENDS ANNOUNCED Aug 28 May 20 0.63 0.68 0.63 Biolochi Mining ,.. 0.68 CentreGold Densitren inti HCG Lloyd's . Linton Park ... Morgan Crucible SPLIT 0,53 6,85 Dividends shown pence per share net except where otherwise stated. †On increased capital.



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De Beers Consolidated Mines Limited operated in the Republic of South Africa) Resistantion

NOTICE TO MEMBERS

Notice is hereby given that the one hundred and shift annual general meeting of members of De Bears Consolidated Minas Limited will be held at the Head Office of the Company, 36 Stockdale Street, Kimbedey on Friday, 20 May 1994, at 14.15, for the following business:

to elect directors in accordance with the provisions of the anticles of association of the company

- to consider and, if deemed fit, to pass, with or without modification, the following resolution as an ordinary resolution: "That the directors be and they are hereby authorised to allot and issue all or any portion of the unlessed deterred shares of five cents each in the capital of the Company at such time or times, to such person or persons, company or companies, and upon such terms and conditions, as they may determine."

A member entitled to attend and vote at the meeting may appoint it proxy to attend, specific and vote in his steed. A proxy need not be at member of the Company, if required, forms of proxy are available trans the Head Office and the office to

The register of members of the Company will be closed from Friday, III May to Friday, 20 May 1994, both days inclusive Holders of linked deferred share warrants to bearer who desire to altend in person or by proxy or to vote at any general meeting of the Company must comply with the regulations of the Company under which alters warrants to bearer are appears.

R.W. KETLEY Secretary

36 Stockdale Street, Kimberley, South Africa

NOTICE OF ANNUAL GENERAL MEETING OF DE BEERS CENTENARY AG

Centenary Depositary AG

Holders of Centenary depositary receipts are hereby notified that De Beers Centenary AG ("the Company") than given notice to its shareholders convening its fourth Annual General Meeting which will be held at the Grand Hotel Mailonel. Luceme, Switzerland on Tuesday, 10 May 1994 at 12.15. The agenda and motions for the meeting are as follows:

AGENDA AND MOTIONS 1. To receive the reports of the Auditors and Group Auditors for the linencial year ended 31 December 1988.

To received and adopt the Report of the Directors, the annual francial statements of the Company and of the group as at and for the year ended III December 1993. The lollowing motion will be proposed as Resolution No.1:

That the Raport of the Directors for the year ended 31 December 1983, together with the acrusal financial statements of the Company and of the group as at and for the year ended 31 December 1983 respectively, he and they are hereby approved and

To approve the allocation of belance sheet profits as recommended in the Report of the Obestors and to declare a dividend of SFr II - per share (equal to 7 centimes per Centenery depositary receipt).
 The following motion will be proposed as Resolution No.2:

That the allocation of balance sheet profits as recommended in the Report of the Directors be accepted and approved, including the declaration of a dividend of SFr 7-per share (equal to 7 centimes per Centenary depositary receipt) payable on 25 May 1994 to shareholders registered as such in the Company's register of shareholders on Fittley, 25 March 1994.

The following motion will be proceed as Resolution No.3: That the ections of all persons who held office as members of the Board of Directors of the Company during the year ended UT December 1993 be and they are hereby ratified and confirmed.

5. To elect additional directors and to re-elect those directors of the Company retiring in accordance with the Articles of The following motion will be proposed as Resolution No.4.

That Mr G.F.H., Burns and Sir Chippendale Keswick be elected and that Baron Edmand de Flothachiti, Sir Evelyn de Flothachild, Mr H.F.Oppenhelmer and Mr W F Oppenhelmer be re-elected as members of the Board of Directors of the 6. To re-elect Deloitte Pim Goldby GmbH as the Auditors and Group Auditors respectively of the Company.

That Deloits Pim Goldby Grobi be and are hereby re-elected as the Auditors and Group Auditors respe Company for a period of one year, until the conclusion of the Annual General Meeting to be held in 1995. The Report of the Directors (including the proposals of the directors relating to the allocation of balance sheet p and declaration of a dividend), the annual financial astements of the Company and of the group, and the Auditors' and Group Auditors' reports will be posted to registered Centenery depositary receipt holders together with the Notice and will also be available to receipt holders at the Head Office of the Company and at the offices of the Transfer

Each Centenary depositary receipt holder is entitled to attend and to speak at the Annual General Mac person or the represented by a duly authorised representative or proxy whose authority must be established to the authority. Placely, Placelyt holders wishing to attend the meeting by proxy may obtain forms of proxy from the Depositary or its Transfer Secretaries and proxy must be lodged with the Transfer Secretaries no later than 12:15 on Friday 6 May 1994.

Provise for deposited shares as contemplated in article 689d of the Swise Code of Obligations are herel notify the Depository by no later than 12:15 on Friday, 8 May 1994 of the amount (and kind) of Center receipts they represent. Provise for deposited shares are deemed to be those inattitutions which are subj. Federal Act on Banks and Saving Bunks of II November 1934 as well as protessional asset managers.

Each receipt holder is entitled to one vote in respect of each Centerary depositary receipt held. The votes attribe Centerary depositary receipts are not votes in respect of shares in De Beers Centerary AG but are instru

(a) deposited with or received by the Depositary at the Depositary's registered office at the offices of the Tim Secretaries no later than 12:15 on Friday, 6 May 1994; or

(b) delivered in person by the receipt holder or his said duly authorised repres

Holders of Centenary depository receipts in registered form wishing to attend the meeting may be required to produce their Centenary depository receipt certificates or asia custody receipt leaved by an approved bank at the meeting and to establish their identity to the estateation of the Depository. Holders of bearer Centenary depositary receipts who dedre to attend the Annual General Meeting or who wish to

The register of receipt holders will be closed from Tuesday, # May 1994 to Tuesday, III May 1994 both days inclusive.

Centenary Depositsry AG, The Board of Directors

CH-6000 Luceme 14 Switzerland

19 April 1994

Under the conditions of lacue of linked deferred share warrants to bearer and bearer Contensary depositary receipts reterred to in the above notices holders thereof who desire to attend the Annual General Meetings will require a certificate of lodgement which must be issued by the Depositary and/or De Seers Consolidated Mines Limited by no later than Wednesday Il May 1904 in the case of the De Seers Consolidated Mines Limited by no later than 1994 in the case of the De Seers Consolidated Mines Limited as copies of the said conditions and the necessary forms, may be obtained from the Depositary or De Seers Consolidated Mines Limited or their Transfer Secretaries or any of their Agents Risted below.

Consolidates un First Floor, Educat Senioner Street Agents for De Beers and the I Berclays Bank PLC London Counter Services 169 Fenchurch Street London ECSP 3HP

Paradeptalz 6 CH-8010 Zunch

24 average Marri B-1050 Brussels Union Bank of Best

The 1998 annual reports and a

Berglave Bank PLC

21 rus Laitte F-75425 Paris

LEGAL NOTICES

In the High Court of Justice No (42051 of 1994 IN THE MATTER OF ECONOMIC INSURANCE CO. LTD.

AN THE MATTER OF
THE COMPANIES ACT 1946

NOTICE IS HEREBY GIVEN that a Petanon was presented to Her Majesny's High Coust of Justics, Casaccry Division — 2nd March 1993 for the confirmation of the reduction of the share pression account of the above stated Company by £136,335 and the rotations of the capatal of the Company by £136,355 and the rotations of the capatal of the Company by £23,918,080.

AID Nilm is a given that Petition illustration of the capatal of the Company by £23,918,080.

AID Nilm is a given that Petition illustration of directed and heard beautiful to oppose the making of an Order for the confirmation of the said reduction of share prestrious account and of share capital should appear at the time of the haring it person or by Compact for the said freduction of the said suppose.

A copy of the said Petation will be furnished to

counsel for that purpose.

A copy of the said Petalan will be familiated to any person requiring the same by the undermentioned Soliciburs on tegistrate the transfer of the undermentioned Soliciburs on the undermentioned Soliciburs on the undermentioned Soliciburs on the undermentioned Soliciburs on the United Solicibur CLIFFORD CHANCE 200 Abbrigate Street London BCIA 40

Bryanston Insurance Company Limbol has obtained Court approval for its Scheme of Arrangement which received strong Arrangement which seceives arrang support at a meeting in languary.

On the 28 blanch 1994, we order was granted by

Bankruptcy

of the

Bankruptey of the Bankruptey Code.
The order saucht of the Bankruptey Code.
The order sauchtoning the Scheme Arrangement was filed with the Register of Companies on 13 April 1994, making Scheme effective form that date.

As a result, Richard Boyn-States and Colin Bank or Companies at Liquidators by the main appointed as Scheme Administrative passaum the bests of the Scheme.

No O'CULTURE 1951 IN THE MATTER OF

A THE MATTER NOTICE IS HEREBY GIVEN that a Pennion was on 25th March 1994 presented as Her Majeuty's High Court of matter for English march 1994 presented as Her Majeuty's High Court of Installed for English matter and the sum standing to the word and the sum standing to the word and Petition in the Standing of the Standing And Petition in the Standing of Pennion May 1994.

APP NOTICE IN FURTHER that the Majeuty Standing Standing of Majeuty Standing Sta

A copy of the east Persons will be formabled to any such persons requiring the same by the regulated charge for the same.

A copy of the east Persons will be formabled to any such persons requiring the same by the regulated charge for the same.

A copy of the east of the same by the same by the regulated charge for the same by t

Andrew West Insurance Company Limited has obtained Court approval for its Scheme of Arrangement which arrange arrange apport at a needing in January.

On the 30 March 1998, 24 under was granted by the US Bankruptey Court for a perstangent injunction and Section III III US

Arrangement was filed with the Regional Companies in 13 April 1944, making the Scheme effective form that date. Science elective torse that date.

As a result, Richard Boys-Sonner and Colle Boys
Price | referred |
Provestonat Liquidators by the |
and appointed as Science Administrative present to
the lemm of the Scheme.

TO ADVERTISE YOUR LEGAL NOTICES Please contact Tina McGorman

on 071 873 4842 Fax: 071 273 3064

THE INSULVENCY ACT HIS ZODIAC UK LUMITED

CONTRACTS & TENDERS

FOR LILE BY TENDER SPUR II IN MOONSTONE BLUE WITH WHITE COLUMN IS NOT PSH 15521 MILES

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Tea boost as Linton grows 38%

to £10.6m

Higher tea production and prices in Kenya and Malawi were behind a 38 per cent rise in 1993 profits at Linton Park. the tea and coffee producer, importer and exporter that also has interests in Scottish

Pre-tax profits rose from 27.66m to \$10.6m on the back of an 11 per cent rise in turnover from £129m to £143.5m. The shares rose 22p to 360p.

The latest turnover figure includes £7.1m from Kakuzi, a long-time Kenyan associate which became a subsidiary in

The company is 60 per cent owned by Lawrie Group, itself owned by Camellie, the quoted investment company with interests which include fine art and tea plantations. Operating profits from coninuing operations increased

from myles to III les. Mr Malcolm Perkins, managing director, said last year had seen good demand for the high quality sun-dried arabica cofee from Kenya, and prices had improved, partly because of the producer committes intro-duction of a quota system.

ood in Kenya, reflecting qualmis, but not so

The cold storage, transport and distribution side of Associated Fisheries had performed well, but the fishing industry itself had had a bud year. The pre-tax figure included

m exceptional gain of £306,000 on the disposal of Macfish, compared £500,000 last time.

from 21.91m to 21.14m, reflecting lower rates. The tax charge rose from

21.76m to 23.1m. However, the

1992 figure included an excep-tional UK tax credit of After minority interests of 21.94m, compared with a pre-vious 21.66m, earnings per share increased from 31.8p to

A final dividend of 12.5p is proposed, Bringing the total for the year to 15p (14p).

Acquisition lifts Creston to profit

In half to December 31, Creston Land and Estates the property concern, achieved a turnround from four years of losses. It is profits of £14.000 were achieved against

offset by losses of ITE on continuing operations. Turnover moved ahead to

22.34m (22.4m). Barnings per ing activities had been unaf-share were 0.03p (0.25p losses). by the problems,

Cheaper at half the price?

Peter John examines Reuters' share split exercise

ings, the news and financlosed yesterday at 484p, their first day of trading after a 4 for 1 share split

The move ended Reuters run as the most expensive single share in the FT-SE 100 index. Meanwhile, the US-traded American Depositary Receipts have only been haived from their previous level of about \$87 (£59.50). Each ADR repre-Share splits are common-place in the UK, particularly

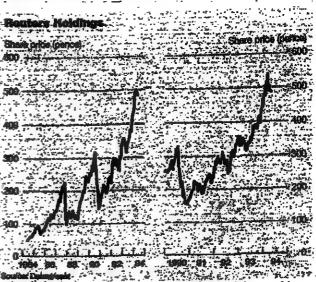
among FT-SE 100 companies but the logic behind them is hard to pin down. Companies say splits make their shares more marketable

and more attractive to private The same rationale is used for consolidations. When shares are trading below, say, 30p relatively small trades can markedly affect the price – and

this volatility can lead to illi-quidity. Saatchi & Saatchi, the advertising group, carried out.

1-for-10 consolidation in June 1992 when the shares stood at about 15p each.
The dentist from Halifax with a few hundred pounds to spare might be interested in 100 Glaxo shares at 600 me but doesn't the Mea of buying 50 at twice that price

That is the logic that per-



suaded Glaxo to have two giory period between 1989 and 1991. The pharmaceuticals group said: "The aim is to bring a price down to a level that makes shares more available to shareholders. Hiller is usually around the £14 to £16 limit."

pragmatic line. a similarly ing, corporate relation mansays: There is an an an in motion that it will assist in liquidity. You could argue that if you reduce in price of and while she might lime cachet of owning 4,000 Saatchi shares she might not apprecithe stock, the dealing greater for institu-tional trading. Both arguments sound logical but there is no proof either

case for allowing a share price to appreciate without splits, particularly for fund managers, who make up some 75 per cent of the UK equity market. Ahead of the split, Reuters' spread - the difference between the the bid and asking prices of the shares - was quoted by marketmakers at 15p. That translates to a spread of 0.75 per cent. .

The new spread for Reuters is 7p on a share price of about 500p guaranteed for a single trade of up to 100,000 translates to a percentage of 1.4 per cent. Even Mr Brian Newman,

analyst with agency broker Henderson Crosthwaite and a

shares, finds the process slightly mysterious. "It doesn't stand up to too close examina-

tion" he says. There have been very few analyses of share splits and most fund managers tend to echo the sentiments of Mr Peter Jones, investment director of M&G, the unit trust group. "In theory it makes not a slight bit of difference," he says. "Personally I would always support a share split where it is into double figures but ask me to prove why and I can't."

However, Mr Warren Buffet. the billionaire Nebraskan investor, wrote a damning condemnation of the practice for the annual meeting of Berk-shire Hathaway, his US investment group. "Brokers, using terms such as marketability and liquidity sing the praises of companies with high share turnover ... but investors should understand that what is good for the croupier is not good for the customer. A hyperactive stock market is the pickpocket of enterprise." Perhaps the reasoning boils down to something as basic as

the British fear of standing out from the crowd. "We want to have a share split because we were the only stock trading above 220 and that makes us an exception," says Mr Miks Cooling of Powters." Cooling of Reuters. People notice it and it makes people presume the price is more vola-

NEWS DIGEST

Usborne shares HCG Lloyd's net suspended

suspended yesterday at 19%p after the group warned of sub-stantial interim losses following problems on the pig pro-

Dealings have been halted until publication of the interim results, expected next month after completion of an investi-Sharp setback for

Usborne said arrangements to date, including a long term supply contract with Unigate, had not been sufficient to insulate pig production from the impact of the weak market. The conditions, with a deterioration in produc-

The difficulties had been fur-The result included 2143,000 down in management control of the pig operations, including accounting systems, as a result of the

tivity, had contributed to sub-

recognised. The group's main grain tradalthough first-half profits were

asset value at 101.4p HCG Lloyd's Investment Trust

reported a net asset value of 101.4p per share as at Decem-Net revenue for the period from incorporation on May 27

£199,000 for earnings of 1.19p A final dividend of 6.3p is

Densitron Intl

in line with its warning in January, Densitron International yesterday reported a sharp set-back in annual profits. The Kent-based

components group blamed the decline over the 1993 year from fim, ------ for a change in the treatment of goodwill, to 2006,000 pre-tax problem and disappointing sales in the US.

Turnover improved 27 per to (£53.8m) although directors decline was immediately that the increase was largely attributable to currency influences. "In reality sales were essentially flat and while there was a small increase in gross margin, there was a large enough real rise in costs to reduce the outcome," they added. The proposed final dividend

is maintained at 1p, making 1.5p (1.4p) for the year, barely covered by earnings of 1.54p (3.89p) per share. Warner Estate

property deals Warner Estate Holdings has

bought 19 properties from Sydney and London Properties for about £39m cash it is selling on 10 of the properties for more than £23m. The retained portfolio com-

prises a mixture of office and industrial premises with one outlet in locations throughout England and Wales. Their current net rental income totals more than 21.4m. Sunset + Vine

production company, is buying Mobile Image, the outside broadcast facilities group, for 2m cash from National Broadcasting Company of the US. As part of the deal Mobile will contracted to supply facilities for NBC European sports coverage.

£2m expansion

In the year to December 31 Mobile reported operating prolits of £152,000 (£57,000) before non-recurring items and a 275,000 bad debt charge. Turnover was £3.02m (£3.25m). Net essets were £1.71m.
Sunset said that broadcasters were increasingly contract. Bris 4

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TREATS

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ing out the coverage of sport-ing events and the purchase would strengthen its ability to tender for these.

Britannia's better second half

Britannia Group, the property developer and builder, returned to profits in the sec-ond half of 1983, but still ended the year £503,000 in the red pre-tax, against £393,000.

There was a surplus of £362,000 for the six months to: December 31, but there was £750,000 charge for land provitions which left the year end deficit higher. -Turnover expanded from

229.3m to £36.3m.
Directors explained that the housebuilding and construction "is beginning to bear fruit while our divestment from commercial property has continued both during the yearand into 1994".

They said they expected to return to the dividend list in.









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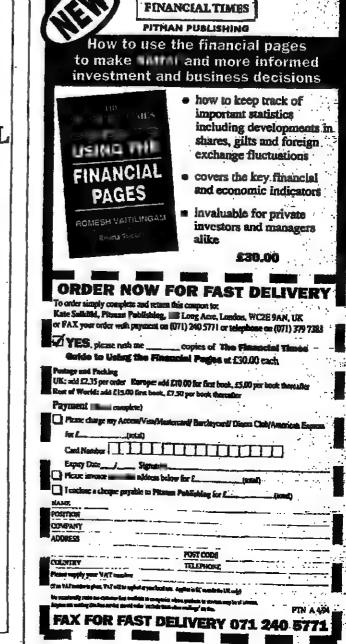
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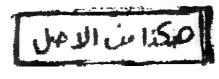
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COMPANY NEWS: UK AND IRELAND

Waste Management up | CentreGold up 12% in first quarter

By Bromwen Maddox, Environment Correspondent

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Lucas sets

Waste Management International, the environmental group, saw first quarpre-tax profits rise by per cent to £38.7m, despite northern Europe's slowness in

Mr Edwin Falkman, executive, said in a december 1 northern Europe in January and February had below expectations, partly bad weather, but that the group "roughly on target for the full year". Price increases in the UK,

Italy, France and Latin America accounted for nearly a fifth of the 16 per cent rise in turn-over to £256m (£220.9m).

The group's formidable rate of acquisition - 48 deals in 1993
- also up turnover by 9
percentage points. However
WMI, the UK quoted
arm of WMX Technologies of the US, said that currency some film,

Italy, one of year's main disappointments, contributed less than 30 per cent of turnover in the first quarter.

DCC, the Dublin-based hallendy holding

company, is to seek a quotation on the London Dublin stock exchanges in May or June

through a placing of new equity.

Mr Jim Flavin,

"The primary purpose of the flotation is to get a listing and so we are fairly in over the sum we are planning to raise, but it will not be over 1925m (124.3m)."

Following 5-for-i month, there are now 71m shares in issue, 85 per cent of

DCC has gearing of only 6 per cent according to two stockbrokers reports published yester-day. UBS Global Research also estimates pre-tax

profits will advance by about 40 per cent this

year to [221.3m, giving earnings per share of 190 on turnover of 12330m.

which are held by institutious.

By Tim Coone in Dublin-



Edwin Falkman: group was roughly on target for the full year

Cost cutting, particularly in the UK, allowed operating profits to rise by 22 per cent to \$41.9m (\$34.3m), but an increase in net interest payable held back pre-tax profits.

Tax planning as well as a larger contribution from lowtax regions such as Hong Kong pulled the rate down to 26.1 per cent (28.4 per cent). WMI expects the tax rate

for the full year to be between 26 per cent and 27 per

DCC plans I£25m flotation

the UK.

print and publishing.

improvement in Hong Rong
UK acquisitions for III sharp leap 1 £4.7m (£1.8m) in payments II minority in earnings - 6.4p

(6.ip). Mr Falkman and "we metinue to look in making itrusc acquisitions, particularly Germany UK. The acquisition opportuni

24% at £2.6m

By Paul Taylor

product launches, higher and growing popularity of personal computer helped CentreGold, the com-puter publisher and dis-tributor, the margin sures and turn in a 24 per cent increase in interim pre-tax

The group, which was floated in October, reported pre-tax profits of f26m in the six months to January 31, up from £2.09m, on turnover ahead by 43 per cent to \$52.6m

Earnings per share increased to 4.7p (4.46p) and the initial interim dividend is set at 0.8p. ahares, the were placed al 134p. Mr field Brown, the execu-

tive, "fairly pleasing". The company had countered margin pressures by achieving substantial increases in turnover and mar-

Turnover from the software

by 81 per cent to £26.2m. Cartridge software sales more than doubled to £19.2m (£8.5m), reflecting the launch of the group's first Nintendo produci and the growth of the US publishing business.
US publishing sales jumped to £8.5m (£2.7m) and overseas This amound emerc appears as a matter of record only

📖 received 📖 implied long-term rating 📶

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of a non-U.S. pension fund.

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A-1+ from Standard & Poor's Corporation

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sales now account for 34 per cent of turnover. In addition margin PC-CD games had increased dramatically. These gains beloed offset lower margins on cartridge software sales in Europe, reflecting the increased costs of producing higher specification cartridges which could not be fully ne it operating profits from publishing slipped in III. (£1.45m)

In contrast, operating profits from software distribution grew to £1.18m (£846,000) on turnover increased by 19 per cent to £26.4m. This reflected strong growth in sales to specialist retail chains and higher

Whitecroft nets £6m on option sale

By lan Hamilton Fazey Northern Correspondent

Whitecroft, the Cheshire-based fittings, fire doors and medical fibres manufacturer, nearly £6m cash profit by selling an option on a

Stockport retail centre. will further reduce Whitecroft's borrowings. These stood at \$20m at its half year end last December, but then fell to less than \$25m after the interest of a property development at Hillsborough, Sheffield.

The option to buy the Stockport centre was a least of the centre's sale - by a then distressed Whitecroft - at a reduced price to Confederation Life Insurance in 1991, it was

£800,000 and produced no income. Confederation Life is paying £6.75m for it.

Whitecroft's financial ye has just ended, so it cannot be specific about the effect. However, borrowings are almost certainly now below £20m. Gearing was 100 per cent after the Hillsborough deal.

The group was nearly brought down in the recession by the falling value of a property portfolio built up in the late 1860s. It has since reverted to be come members but to its core manufacturing businesses. Remaining properties are two medium-sized office developments in the south of England, but these are now unlikely to be sold until they are fully let.

Bank of Ireland, formerly the biggest share-holder, sold its 20 per cent stake last December NatWest checks cut risk on

By Andrew Bolger

Lucas industries is paying Mr George Simpson, its new chief executive, an annual salary of

Simpson salary

at £340,000

The figure is well below what the automotive and serospace components group was rumoured to have offered Mr Simpson, the former deputy chief executive of British Aerospace and chairman of Rover Group, BAe's vehicles subsid-

Mr Simpson's basic salary is in line with the £355,000 which Sir Anthony Gill earned last acting as both chairman and chief executive. However, bonuses could boost Mr Simpson's annual salary to \$400,000.

He has been granted options on just over 700,000 Lucas shares at 194p each, which can-not be exercised for another large company loan book By John Gapper, Banking Editor

at 1£10 per share before the share split.

The flotation price is expected to be between 250p and 300p, for a market capitalisation of

Mr Flavin expected in the state of the state

minust to overseas investors "wanting to take a

view of the Irish market". About 54 per cent of

profits arise in Ireland with 45 per per cent in

DCC's operations are concentrated in five divi-

sions: food, print of publishing, computer products dism and healthcare. Two thirds of earnings the limit of the mergy sectors and a further 19 per cent from

Mr Fiavin plans growth to come "through organic growth and bolt-on acquisitious". Some 1951m has been spent on acquisitions in the past

three years. The issue is to be underwritten by

AIB Capital Markets and JO Hambro Magan.

UBS in London and Davy in Dublin have been

National Wastminster Bank's policy of stringent and lengthy credit checks on large compa-nies seems to have resulted in a loan portfolio which is much less risky than that of other large UK benks, according to research published yesterday. A report compiled by BZW,

the investment banking arm of Barclays, based on Dun & Bradstreet data covering 22m companies, found that NatWest had a significantly lower pro-portion of high risk lending

than its peers.
Although NatWest had the highest percentage of high risk lending to small companies. only 14 per cent of its loans to large companies involved high risk companies compared with 35 per cent for other banks. This means that 28 per cent

of its overall lending is to companies falling in the two most risky categories of five bands devised by Dun & Bradstreet, compared with about 38 per cent for each of the other big clearing banks.

The BZW research used a more detailed analysis of 41,400 borrowing companies with that NatWest's avoidance of credit losses from large corporate failures in recent years

was more than good fortune.

It said a possible explanation
was that it had resisted the trend giving rapid on proposals,

ft added that the relatively high proportion of high risk lending to large companies by the other big clearing banks indicated that they were relying too heavily on the assump-

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tion that large company size was equivalent to low risk. However, BZW pointed out: "Large corporate lending could be more risky than is generally thought by bankers, and fur-

the low margins on large corporate lending are approaching the levels required to compensate for the risk." The report found that although there was an overall improvement in credit quality among banks' losm portfolios in the second half of last year,

their books remained worse at the end of the year than at the end of 1992.

Among the large clearing banks, only NatWest had grown its share of the lending market in the past two years. Barclays, Lloyds and Midland had all lost share, while smaller regional banks had made significant gains.

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Hickson chief's payments jump ta £183,000

thermore, it is unlikely that

The increase partly reflects his promotion in 1992 when he was a director of the group for only nine mouths. On an annualised basis his salary rose by

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added to produce to execution and neutral measurement of the pool points are the production of the pool points are the pool points are the pool points are the pool points and the pool points are the pool points are the points are t

By David Wighton

Mr Dennis Kerrison, chief executive of Hickson Interna-tional, saw his total emoluments jump by 45 per cent from £126,000 to £183,000 last year when the chemicals com-pany's profits fell by 9 per-cent to £22.1m.

15 per cent to £137,000.

He also received a performance-related bonus of £34,000 (£8,000) linked to targets for profits, cashflow and "personal objectives". The company said Mr Kerrison received no bonus triggered by profits and only a minimal payment for cashflow. The bulk of the payment related to "the way be has developed and driven forward the business".

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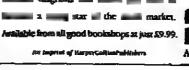
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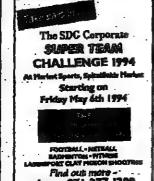
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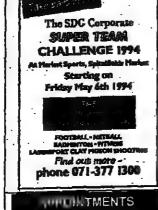
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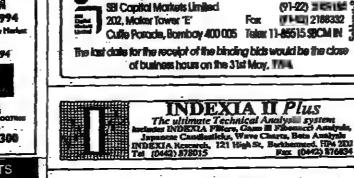
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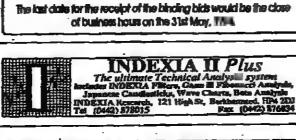
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DC QUOTE

US resists broadening of aluminium cuts

By Kenneth Gooding, Mining Correspondent

Aluminium producing countries are at about how Brazil, Venezuela and the Gulf States could be encouraged to join in international efforts aimed at reducing world output by between 1.5m and 2m tonnes a year.

This subject will top the agenda when the six countries and the European Union which agreed to make the cuts as part of an unprecedented trade deal in January - meet have announced annual cuts totalling more than 900,000 tonnes to last two years and the Russian government has promised cuts of 500,000 tonnes. So there is considerable disappointment that some important aluminium-producing countries not represented at the trade talks have falled to

follow this lead. The European industry is now urging EU trade delegates formally to invite Brazil, Venezuela and the Gulf States into the production-cuts scheme. It suggests that the reluctance of these countries to share the

understandable because they did not take part in the origin

However, US trade delegates are strenuously resisting any broadening of the scheme on the advice of Justice Department lawyers, who are worried about anti-trust problems. The more countries involved in the scheme, the more it begins to look like an illegal cartel, the lawyers argue. It was for this reason that Japan, one of the biggest aluminium consuming nations, was excluded from the negotiations even though It have an annual capacity of more than 13m tonnes and Venezuela's can produce about capacity is roughly 800,000 tonnes. So far only Alba (Alu-Bakrain) has announced cuts - 20,000 turnes - as a way of "supporting the present international drive to re-establish balance between

hminium market". The industry's determination to re-establish that belance has resulted in the aluminium price climbing by abut 25 per

pound in November.

analysts suggest the rising price might result in some companies either not going ahead with planned cuts or reversing already made. With this in mind, Canada will be pressing in this Brussels for more "transparent" or precise statistics from the industry.

It is understood that Russia has made a first stab at presenting its production statistics to the International Primary Aluminium Institute, the Loudon-based trade association, in time for the meeting.

supply and demand in the pri-

"We still differ on the reference price, the price range, and how to review and revise the price," consumer delegate Mr Derek Taylor, representing the Suropean Union, said after a last-ditch meeting failed to bridge the differences.

Agreement, which expires in

Negotiations on a producer/

resume in the autumn after the

failure of this month's 10-day

session to agree on price stabi-

ter from Geneva.

rubber pact are to

Resumption of negotiations between the 29 rubber exporting and importing states had been tentatively scheduled for October 3-14 in Geneva, according to a statement from the conference secretariat.

"The core issues have been narrowed down but we now

ters the pact, will review the lisation measures, reports Reuoutstanding issues at a meeting in May, to prepare the Producer and consumer. ground for an October deal. states were reported to have "The conference has allowed made good progress at the us to clarify where we talks, which ended on Friday, stand. we now have to do more work said Mr Ahmad but remained too far apart on key price issues to finalise a Zubeir, a Malaysian producer deal to replace the 1987 International Natural Rubber representative.

Rubber pact negotiations

gritty," Mr Taylor said.

International Natural Rubber

Organisation, which adminis-

The current pact, unlike has been reasonably successful in offering consumers orderly markets in return for supporting Inro, and by protecting producers from sudden price slumps through buffer stock

buying operations. Consumers wish to maintain the current deal's market ori-entation and they seek a future reference price at or close to the current 196.84 Malaysian/ Singapore cents a kilogram. Led by the United States and the European Union, which together consume 40 per cent

of world supplies, they have

set to resume in the autumn said they cannot justify any have to get down to the nitty imposed market-lifting mea-The Kuala Lumpur-based

But producers want a reference price above 200 cents They argue that the market price, although temporarily buoyed by seasonal tightness and economic recovery, is too

low to encourage smallholders to stay in business. But we have to know what price they are seeking and why, Mr Taylor said. "Producers have not presented the economic rationale for higher prices amid sufficient supply," explained a trade expert Their approach is too much tied to past trends. We need a price that is economically justified and not one which is the

product of political pressures.

Consumer delegates added. that the current pact cost them enough. Trying to push prices up and hold them there would be prohibitively expensive.

Nevertheless, type manufacturers have agreed that they would prefer the long-term security of supplies to

Peru's mining giant offers tempting challenge

Sally Bowen reports on the problems and rewards awaiting Centromin's new owner Tearly 1,000m above sea Britain's RTZ, the huge the part of the treeless plateau of the

level, on the barren, treeless plateau of the high Andes, the humble bouses of Cerro de Pasco cluster around a gaping open-cast pit. Way below the rim, front-loaders scoop up ore while lorries trundle to the top to disgorge their loads. Miners, lamps on their headgear blazing, emerge from the warren of tunnels

Though the technology and work practices look antithis is one of Peru's richest lead and zinc mines. It for 90 years, yet proven reserves assure another 20 years of output and potential eserves maybe 40 more.

Cerro de Pasco is the largest and most coveted of the seven production units owned by Centromin, Peru's state mini and refining glant, which goes on the auction block at the end of this month. Besides these mines - six of them polymetallic, one, Cobriza, copper only -Centromin's new owner will four hydro-electric way, more than 11,700 workers, 12,000 dwellings and four dozen

Not surprisingly, few companies have seriously contemplated this daunting challenge. Chief interest has come from silver producer Penoles and Gencor of South Africa. Canada's Cominco, and Sweden's Boliden, as well as Frisco, a medium-sized Mexican mining

per cent of all Peru's lead and zinc, 40 per cent of its silver and 16 per cent of its copper. Annual sales are about \$400m, with 70 per cent of production

The base price for the complex but intimately interre-\$280m. Bidders will have to put up another \$60m in debt papers (at today's secondary market prices, that means an outlay of 230m)

Additionally, at \$240m must be pledged in fresh, long-overdue investment over three years. The La Oroya smelter and refinery complex is a notorious polluter and studies indicate expenditure on the most basic environmental improvements will run to \$120m-plus. So is Centromin a bargain or not? Mr Hernan Barreto, a private sector businessman who has presided the past two years of company restructuring, is Centromin's keenest salesman. He stresses it is "very much a

Despite higher productivity, last year's profits fell slightly to about \$15m - low 1993 international prices cost Centromin \$100m, says Mr Barreto.

cash flow, quality products that command premiums on world markets, excellent professionals and a prestigious mining tradition," he says. There have been no strikes for three full years. A hefty plus for the eventual buyer could be the four hydro-

electric power plants, whose III megawatt capacity me 910km of ____ion lines could easily be expanded and the surplus sold - as happens on a moderate scale to the national grid. Peru's deficit ____ keen foreign investor interest and Centromin's generating plants alone have been valued at around \$300m.

Then the company has accumulated losses of \$240m which could prove a "very interesting tax shelter", according to Mr

But the heart of this grand old company - born in 1902 as IIS-owned Cerro de Pasco Corporation and nationalised by Peru's left-wing military gov-ernment in 1974 – is its mines refiner complex. Of the former, Cerro de Pasco is the star. Last year it produced 310,000 tonnes of zinc concentrate, out of the company total of 500,000 tonnes, and 116,000 tonnes of lead concentrate (total company output was

Cerro's open pit has proven reserves of some 10m tonnes, enough for just seven years operation. Future expansion is likely to focus on the under ground mine's 47m tonnes of proven and probable reserves. A promising deposit called Matagente, part of the same orebody, has a possible 37m Of the remaining six mines, most require substantial

investment in new machinery. The copper only Cobrisa mine is nearly exhausted and the huge copper deposits of Antamina - formerly owned by Mineroperu - have been included in the Centromin package to replace it. Development costs for Antamina could

The multiple smelter and refinery complex of La Oroys, meanwhile, is one of the world's largest and most complicated. It refines copper, zinc and lead and produces a grand total of 20 mineral and chemical by-products including antialso inherit a varied portfolio of mining concessions totalling 256,000 hectares (632,000 acres). Among them are promising but only superficially explored deposits such as gold-bearing Mr Barreto says the dissemi-nated deposit, still at the "grass-roots stage", has similar characteristics to Newmont Mining's hugely profitable new Yanacocha venture.

Whoever eventually acquires Peru's giant will find it a friendly one. Management and, in general, workers welcome privatisation. They have soldiered on for years on shoe-string modifications – a brand-new \$25m oxygen plant, mainly financed with an Andean Development Corporation loan, is almost the only major making up in ingenuity and t for the second of

"My hope is that the new owners will transform Centromin into a great employer once again," says Mr Jose Car-rascal, general manager at La Oroya. That hope is fervently echoed by the 60,000 or so Peruvians who directly depend on Centromin for their livelihood - and by tens of thou-sands more in Centromin's mini-kingdom of the high

MARKET REPORT

Coffee rallies after early setback

COFFEE futures opened sharply lower at the London Commodity Exchange yester-day morning reflecting hefty losses in New York on Friday following news Brazil was to release coffee stocks internally. some traders linked to the Bra zilian growers' association voicing its disapproval of the plan threatening legal

The near July position \$9 down at \$1,437 a tonne after touching a low of \$1,428. The Table Was the from its torpor by a lively New York market. Traders said there was nothing fundamental behind the interest but some cited the bullish implications of a trader's report showing a large net

long speculative position. The July position ended at \$917 a tonne, up \$16, after backing off At the London Metal Exchange COPPER'S early rally, encouraged by commis-sion house buying, had dwin-dled by the close as overhead selling and resistance took the three months price from a high of \$1,894 a tonne to \$1,885, a net oss of \$2 and still within the recent \$1,880-\$1,900 range.

Attempts by ALUMINIUM to break above \$1,300 resistance (for three months delivery) failed repeatedly during the day as the market ran into profit-taking and speculative selling. The price ended at \$1,298 a tonne, down \$7.50.

dips towards \$450 a tome where underlying trade inter News that the US Federal Reserve wanted to raise short-term interest rates had little impact on LME training dealers said.

But the news caused some slippage in precious metal prices, which had previously firmed slightly in the after, noon, spurred by find buying on the New York SILVER futures market, which encouraged participation in gold. In London cash silver closed a cents up at \$5.28% a troy ounce, while GOLD put on 45 cents at \$377.79 an ounce.

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of \$174m transformed Compiled from Reuter COMMODITIES III CROSSWORD BASE METALS Precious Metals continued GRAINS AND OIL SEEDS MEAT AND LIVESTOCK No.8,432 Set by GRIFFIN ELIVE CATTLE CM EL BOLD COMEX (100 Troy cz.; \$/troy cz.) WHEAT LCE @ per tonnel ■ COCCOA LCE (E/hor LONDON METAL EXCHANGE Selt Buy's Lour let Vot 78.360 -0.000 76.160 76.276 6.561 1.768 -1.000 76.160 76.276 6.561 1.768 -1.000 76.763 76.763 13.405 2.423 72.275 -0.700 72.975 72.975 10.366 -1.264 72.275 -0.450 73.250 72.480 6.065 1.264 72.528 -8.576 11.264 11.278 E ALUNINIUM, 60.7 PURETY & per tony 376.7 600 146 378.4 84.572 25.800 378.3 1.50 115 386.9 14.164 1273.5-4.5 1304/1294 E PLATENUM NYMEX (50 Troy oz.; \$/troy oz.) 46.900 +0.925 47,150 48,000 83,150 +0.600 83,200 32,500 1 92,160 +0.460 92,400 81,900 1 83,425 +0.425 50,575 90,100 45,400 +0.350 45,900 45,500 46,225 +0.275 48,250 45,900 -1/2 3380 3266 51,285 11,325 +30 3224 315/2135,430 39,825 ALUMINIUM ALLOY (\$ per tonne 1164 35,418 3,554 1164 35,418 3,554 125 8,000 406 10,344 348 131.80 -0.50 - - 201 4,141 III COCOA (CCC) (SDR's/lor -3/2 2006 399,440 67,300 -3/2 283/0 823,089 711,130 -4/2 283/0 823,089 711,130 -4/4 286/0 833,339 42,175 -6/0 285/2 31,000 2,345 -5/4 286/0 3,700 13/5 -5/4 286/0 3,700 13/5 \$1,650 +0.100 \$4,660 \$3,600 \$4,655 +0.125 \$5.160 \$4,100 \$2,675 \$2,675 \$2,000 EL LIEAD (8 per tonne) Close
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Total delty turnover 458-9 440.5-1.5 55.900 -0.450 \$5.900 \$5.750 \$5.800 - \$5.900 \$7.000 +0.300 \$7.000 · \$ III COFFEE LCE (\$/toring) 1493 1436 1419 1406 1400 1384 -1 1429 -3 1416 -7 188 25,100 3,185 5,537 286 10,532 571 LONDON TRADED OPTIONS III MICKEL, (8 per torne) Close Previous High/low AM Official Karb close 5495-600 5560-85 5670/5495 5540-45 6500-10 5420-30 6510-20 IN COFFEE 'C' CSCE (37,500fbs; cen 81.30 +0.85 81.40 88.10 17,955 5,463 83.10 +1.00 83.25 82.00 28,225 0,638 84.60 +0.95 84.75 83.90 8,485 893 86.20 94.00 85.20 4,566 893 86.25 94.00 86.25 87.50 284 -1 Scolding desert creature for 8584 436 6580 651/2195,525 44,000 6540 440 6584 649/2296,740106,445 8484 440 6594 543/4 43,275 4,440 627/0 - 639/0 623/6 27,845 2,065 610/0 -290 888 607/0181,840 21,435 818/2 -142 019/0 613/0 13,550 730 EL CRUDE OIL NYMEX (42,000 US galls, \$/barrel) E TIN (\$ per tonne) 8 Note on public property (6) 5 Curse unwilling student for 62,561 17,176 16,20 29,662 22,438 12,626 2,665 soldiers turned up (6) Posts as it's not folded (8) High/low AM Official 5330-40 E COFFEE LOE ### 17## 81 trols acceleration (8) 7 Fool one old eccentric (8) 13 Cook last of cheese after grating ... (6)
15 ... which smells good! (4)

Token for car to Malta? No. 11 Cut about a quarter, reveal-ZINC, special high grade (\$ pa E COCOA LOE 11.13 +0.92 11.63 +6.07 11.46 -0.05 Token for car to Malta? No thanks! (?)

20 Rider takes American girl to find drug dealers (?)

21 Try being group before concert was (4)

25 Refined taa half stewed (6)

26 Workman about return after party (8)

28 She stood up to a contrary girl (8)

20 Scratched - yet made some points! (6) IN WHITE SUGAR LCE (SAnnu) IS SOYABEAN MEAL CET (100 tons; \$/ton) 1400 97.871 186.8 21,072 4,110 186.8 34,250 6,674 185.7 9,424 760 184.1 7,569 618 181.0 1137 180.5 11 1,359 12,570 187.8 +8.6 189.1 187.6 +0.5 189.1 186.2 +0.2 189.1 184.5 +0.6 185.9 182.3 +0.1 189.1 180.8 - 111.1 322.29 222.50 322.50 321.00 365.30 308.00 308.00 305.20 301.00 301.20 301.20 301.10 204.50 328.00 228.00 228.30 300.00 304.70 384.00 766 10,443 87 8,258 1 257 30 761 - 190 E COPPER, grade A 6 per tono LONDON SPOT MARKETS 1865.5-6.5 1863-4 1865/1864 1864-4.5 \$13.88-3.98y \$15.31-5.35 HEATING OIL, MYMEX (42,000 US palls; clus galls.) TING Ob. No. 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | girl (8) Hit old Bob an a three- 23 points! (6)
23 Sank as shipwrecked here (6)
24 Home Office allows erection of dosshouse (6) Kerb close Open int. Total daily turnover Brent Blend (date: Bront Blend (Jun) W.T.I. (1pm est) 11.01 +0.04 11.06 11.30 + 11.31 +0.08 11.30 + \$15.09-5.11 wheeler (6) Untidiness which 17 Not against poetry being Gaelic (4) LME Closing E/\$ rate: 1.4705 Premium Gasoline Gos Oil \$158-158 Heavy Funt Off Naphtha all Fuel Peroleum Argus St Solution to Saturday's prize puzzle on Saturday April 30. Solution to yesterday's prize puzzle on Tuesday May 3. Day's Change ion but 57.00 57.55 88.40 27.354 49.05 88.10 89.45 20,533 49.45 49.65 88.10 87.00 5,182 E COTTON NYCE (50,000bs; certafte) 98.72 48.95 98.15 13.997 3.735 98.72 78.97 24.210 5.854 75.92 78.97 24.210 5.854 75.92 78.97 78.97 28.97 73.52 48.17 77.00 15.32 28.97 74.05 74.00 18.20 18.20 74.05 18.20 18.20 18.20 74.05 18.20 18.20 18.20 OTHER Of broking and jobbing the Pelikan's fond, Gold per tray oziş Siver per tray oziş Platinum (per tray oz.) tray oz.) 1179 1170 See how sweetly lie puts your word onto boud. 151.50 +3.25 152.25 149.75 28.522 150.00 +3.50 150.50 148.00 19.985 150.25 +3.50 150.75 148.75 14,107 151.50 +3.75 151.50 148.75 5.202 \$132.25 Selikan () 125 Copper (US prod.) 151.50 +2.75 151.50 149.75 3,cmc 152.50 +3.50 152.50 150.50 1 154.50 -111 154.50 125 125 154.50 -111 154.50 125 125 ORANGE JUICE NYCL (1) Contartus) Lend (US prod.) Tin (Kuela Lumpar) Tin (Now York) Zinc (US Prime W.) 35.00c 14.32r -0.00 PRECIOUS METALS # LONDON SULLION MARKET (Prices supplied by N M Rothsch 127.06p 144.24p 11 = 1 -1.**83°** -9.75° 2185 18.256 8.994 2.185 19.255 1.125 2.185 19.255 1.125 2.185 19.255 1.125 2.185 19.255 1.125 2.185 19.255 1.125 2.185 19.255 1.125 2.185 19.255 1.125 2.185 19.255 1.125 2.185 19.255 2.185 19.255 2.185 19.255 2.185 19.255 2.185 19.255 2.185 19.255 2.18 Pigs (Ive weight) 485 Lon. day sugar (ren) Lon. day +2.4 Tee
There was good demand, reports the Tea Brokers' Association, Best East Africans advanced below best, unchanged mediums tolly fern. Plainer Central Africans declined 2/Sp. Selected. 377.35 378.10 Borley (Eng. feed) Unq VOLUME DATA +1.00 Picinar Central Africans declared 2/3p. Selected bright Ceylons were dearns white others tended cension. Autrages: Landed all ten 127:97b. Sri. Lanka 112.21p. Kerryt 131,66p. Ugondo. 22.66p, Tanzania 123.73p. Burundi 135.91p. Premota 166.97p. Nativel 107:54p. Madagacar 115.00p. Quodalors: best auellablo 250-312p/dg. good 145-155p/fig. good medium 125-140p/kg, medium 115-125p/kg, low medium 30-95p/kg. Top price 312p/kg for a reannia pd. Otishore of * 4,500 pigs 256,538 (sgi brighter Ceylons appreciated but agritor types were lower. Better Zimbahwes graned several punce but poorer sorts were eacler where sold. Averages: all ten 105:25p of Sti lanka 110.72p, Malaret 79.00p. Zimbahwes 99:42p. Whost (US T 100 = 740 69.50p UNLEADED GASOLINE NYMEX (42,000 US gails; cAS gails) Rubbertki, RSS No.1 April BAR. OI OI OUROSE A Index Series of +10.0 months. - 1 90.80 +0.25 50.80 49.90 52.322 52.35 +0.17 50.30 **INDICES** Silver Ftx 356.15 360.40 364.90 375.25 524,60 529,60 535,25 \$213.0 84.90c 405p 50.20 49.80 1 C Apr 15 month ago 1808.9 1537.9 550,00 \$ price 379-382 CRB Fe **Gold Coins**

The pion of privatisation is beginning to quicken Page 2

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FINANCIAL TIMES SURVEY

ESTONIA

Narva, where Slav and Nordic worlds meet Page 4

Tuesday April 19 1994

stonia li encouraging place for those who that the dissolution of the Propine has much frustrated which allows the world the 21st century with guarded optimism.

In less than three years, a small group of youthful politicians, academics, bankers and businessmen has managed to restore the liberties and customs of a small nation, introduce market-based economic reforms and shift trade and investment decisively towards the west in general and Scandinavia in particular,

Taking advantage internal turmoil Cailed August 1991 coup, Estonia, together with the other former states, promptly declared independence and then moved with that speed and determination 📗 create a new constitution and a multi-party political system. The central bank, headed by

Mr Silm Kallas, who worked closely with Russian in the Gorbachev-era Supreme Soviet, economic reforms by IIm introduction on June 1992 of independent national currency, the Kroon.
III value is fully backed by II new will a steadily rising gold and hard currency reserves.

Multi-party parliamentary and presidential in September 1992 allowed the formation of a broadly-based coalition government, headed by Mr Mart Laar, the 33-yearprime minister. Be Fatherland Collins (tre-right parties the election of Mr Lennart Meri, a distinguished historian and film-maker, as president of the restored republic.

A top priority of the newly independent state was to form a 3,000-strong armed border patrol force and a 2,000-strong national army backed by a vol-· · · · · · · · unteer national reserve. The army is martinally by an former US Army colonel and armed mainly with Israeli weapons following a \$47m arms deal.

Clearly, Estonians, after centuries of domination by Baltic Germans and Swedes, and subjected to nearly 300 years of Russian begamony in the east-



Small is beautiful

Liberated from I years of Soviet rule, Estonia, smallest of the Baltic states, is revelling in its new-found freedom to rediscover its historic traditions and adapt them to modern, democratic way of life, writes Anthony Robinson

ern Baltic, Language strong make good neighbours. Let marine le amused. reluctance to nationality rights in former Soviet military personnel, and Categories Cow make the life has been printed in the population, in the second lies ire of The Zhirinovsky, the Russian chauvinist, and

To Marju Lauristin, the minimum of social replies: "Such people are demanding for ethnic Rusprivileges which they cannot guarantee in Russia itself." The that Estonia's main

requirements are independence and stability, however, Mrs Lauristin argues that it is in Estonia's own best interests to see that its ethnic minorities feel at home in, and loyal to, the restored state. Such expressions of enlightened self-interest are welcomed by many Russians, especially those with family roots in Estonia, dating limit to the Cartal period and Despite | | thoughts better-educated business people for whom han wait to de hander with neighbouring Russia. prerequisite for acquiring nationality is proof of mini-

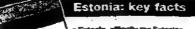
mal linguistic language ability. The Council of Europe judged this a unreasonable request, given that alm it hadnians, with rolli up M per population, speak hairm language mind h and Hungarian. For Estonians, full independence requires 📖 📭

2 Russian troops remain from a 100.000strong occupation army. leave by August 31, 1994 - the deadline agreed with Moscow after months of difficult talks government high-flyer who has just the defence portfolio Mi ILA foreign affairs ministry. I'm in later Moscow withdrew this promise despite strong western governments. .

in Moscow, the Sarah water drawal wirtually complete. Only I'm nuclear training man for remains to be dismantied at big Sovietera paval and makes when the training base at Fuldinal on this me The huge military airdoned, ... fuel plant I Sillimae, all once Lallal only by non-Baltic Service of the same

Only special assault troops in a barracks, 500 from Toompea castle, the pastel pink parliament old town, remain vaguely men-acing, apart from the paratroop units stationed just across the border in Russia's Vitebsk and military districts.

Test is progress, and less, insistence, on an outstanding territorial claim. A swathe of territory recognised by Moscow as Estonian in perpetuity by III III Thin Treaty remains outside the de facto border of the new Esto- per cent of its trade, three



was taken over by the form re in 1991. German 1940, but regained by independence in timely held the region in World War Tv 1,5th of which stourd 25% are ethore

tency at birth, 69.5 years. by the Riighogu (state assembly) in October 1992 also direct elections failed to pugdade a condidate with a

stagoney of the wole, ich of the Finne-Ligne languages.

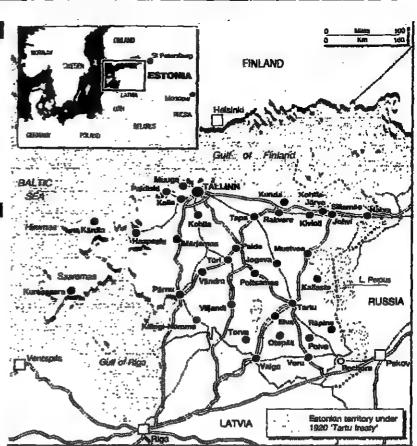
Basically industrial, but agriculture is reportant; now

incoming agest of outs econe amore in Municipal

• The Pin I illim 1855; forecast to stee # This in 1994.
• Initiation 1903 (CPR: 35.85.
• Carrency: Estantan Krook exchange rate fixed the Jane 20, 1992 at EEK 6-0M1; (21 Stg = EEK 20 8: US\$1 = EEK 13.97). Gold and currency re EEK 5,237m (\$376m).

Broad maney supply (Nov 1963) EBK 5.569m. Butanoed budget planned for TIMI. Government income EEK 5.682m.
 Castral government
 Castral government

Registered unemployment (and-1993): 1,74%
 Foreign trade (first nine months of 1993): exports EEK 7,143m (sp 218%, compared to previous nine months); imparts EEK 7,515m (sp 240%).
 Trade delicit: EEK 372m.



with the TM actual street, remains the istrative dividing the Russian and Intestin Soviet republics.

It will probably remain so for the foreseeable future. Moscow has signalled its determination to keep the frontier where it is by building a big, modern cus-toms and frontier post at Ivangorod just across the river the largely Russianspeaking Estonian city of Narva on the western bank.

A similarly permanentlooking border post in aur rently being built by the Russtans on the borthe main Riga-St Petersburg highway crosses the Estonian III

Already much of the reduced volume of trade which crosses the barren is private, and inter-state. Estonia was tied to the Soviet Union for over 90 years ago. Now Russia accounts for little over 20 per Now Russia cent of a total which is now overwhelmingly orientated towards western markets.

Finland has replaced Russia as the top trading partner. But all Executed pay that bears of

its and raw materials still comes from Russia while 90 per cent of the traffic through Tal-Privatisation, Ferning Street, Page R; Foreign trade and ports, Page R; Profile border town, Narva, and agriculture, Page R.

linn port is linked to the former Soviet hinterland. Petersburg, Illian city and former imperial capital, is partially lit by tricity from Estonia's oil

fired power stations. Estonians will was be all to ignore the giant on its doorintegration into western defence and economic structures, starting reluctantly with half-way like Nato's "partnership for progress."
But there is also a widely

debating limit of submitting limits

firing a shot in

1940, many | 1940, 1941

fer the subjugation which fol-

limin infamous Molotov-

Ribbentrop pact on the eve of Second World War.

They see their future in the

spread conviction running from President Merl throughstep. The trick is working out a the government and society that future stability living more creatively

and prosperity of Estonia and the other IMIM states hinges largely on the degree to which the Petersburg area can be integrated economically into what could now one of the fastest-growing regions in 21st century Europe - Lin Bellin

Asked to look shead and describe the Estonia he expects to see by the turn of the century, Mr Lear, the prime miniter replies "a young, modern fast-developing country that looks to Europe, Il part of Europe, but maintains III identity."

That looks well within grasp, provided number abides by the rules of decent international behaviour will honours the sovereignty of a small neigh-bour which can never be a threat but could serve here and as a friendly, independent state and efficient partner.

Reforms at a high price

Estonia is the first and only economic success story to emerge thus far from the wreckage of the Soviet Union, writes Anthony Robinson.

B acked by a strong, convertible currency, and wedded to balanced budgets and fiscal rectitude, a small band of young and deter-mined economic policy makers has managed to throw off the. legacy of Soviet rule and open. Estonia up to trade and investment from their Baltic neighbours and the world beyond. Industrial output has been climbing steadily since February last year, contributing to a 3 per cent rise in the gross domestic product after three years of sharp declines. Overall

GDP is expected to grow by 5 per cent in 1994, boosted by a fast-growing service sector, ris-ing foreign investment, mainly from Finland and Scandinavia, the privatisation of hundreds of former state enterprises and an explosive growth in new

Economic activity is heavily concentrated on Tallinn, the capital, in which a third of the population of 1.6m live. Provided relations with Rus-

sia can be kept on an even keel, the city can look forward to a prosperous future as a "Baltic Hong Kong," blessed with the deepest ice-free ports in the region and perched just beyond the western extremity of virtually land-locked Russia. Three years ago, such opti-mism would have appeared preposterous - Mikhali Gorbachev, III last man president. warned Estonians and independence-minded Baltic

states that divorce would mean economic disaster. Well urm 90 per Mai M Estonia's foreign was conducted with the then Soviet Union which supplied and raw materials as well as a wide range of intermediate

industrial goods. World Bank and other institutions warned that Estonia would need to seek 51bn in foreign financing to make up for hidden Soviet subsidies and argued against leav-

the rouble zone. time it land as though the Cassandras from east and west might be right. In 1992, industrial production slumped 38 per cent, inflation soared to 1,069 per cent and only an emergency shipment of 100,000 tons of heating in from Finland prevented thousands from freezing to death - literally, in the case of the old and

Betterta's green florefells an result of crucial importance took place. On June 11, 1992 the bank imitiated monetary reform by introducing the kroon, a new and independent currency fully backed by gold and foreign currencies. It was pegged to the D-mark at a 1 DM=8 EEK. Up 1,500 per were exchanged 10 D-mark-Rouble parity on

then, we kroon's fixed exchange with is still Europe's strongest cur-rency has been the principle

anchor II - policy. By adopting a comment board tem Estonia's monetary economy back on the gold standard of yore and laid the basis for what has become one

Inflation last year nomic growth on a rising and foreign and douinfirm.
But the the case of in volume.

Finland has replaced the for-mer Soviet Union as the main

cent in 1991. It supplied only 30 per cent of Estonia's imports, mainly oil and gas, compared to 85 per cent three years ago.

of Europe's strongest curren-

population on or property line.
Official statistics may tell trade partner. More than 40 per cent of all imports now flow through Finnish ports only 80km away across the Gulf of

Russia remains an important trade partner but took only 38 per cent of Estonian exports last year, compared to 95 per

But the reforms which are transforming the economy have come at a high price. Average real incomes shrank dramatically over the last two years, accompanied by a rapid increase in income differen-

The young, multi-lingual, entrepreneurial types in the new banks and enterprises enjoy high and rapidly rising

incomes.
Civil servants, teachers and

PROTECTING THE KROON

The high priority given to the maintenance of a strong independent currency is cruckel to the success of Estonics

independent currency is crucial to the success of Estonie's economic reforms, white Arithmy Piblicson.

When initiationary linancing is impossible and the exchange rate is not flexible, other factors such as domestic prices and wages, must adjust. Softening adjustment by inflation and money litusion is made impossible, commented Mr. Silm Kalas, governor of the National Bank of Estonia and

widely recognised as the key figure in monetary reform.

Perhaps not surprisingly; currency board solutions have proven unacceptable to large countries." he added, in a

recent peper.

The currency board undertakes to convert all knows offered to it at the fixed rate of EECS to DM1 and ensures that the issuance of new currency is unblically linked to the: size of the foreign suchange reserves.

Indicator of success

The monetary reform with its automatic link between reserves and currency issuance was supported almost unanimously by the isocolar, partitional, and was specifically designed to enhance the preside of the new currency and protect it from political interference.

One cleer indicator of success is the lavel of gold and foreign currency reserves. When the new central bank published he belance effect for the first time in day 1982, a month after the reform was favorabled, reserves amounted to EEX 1,185m (DM 145.65m).

The total included 1.13 time of gold transferred abroad by the one-way covernment and returned to its legal auccessor.

The total included 11.3 tone of gold framiferred shroad by the pre-way government and returned to its legal successor after the restoration of independence.

Thanks largely to sharply ligher tourist and other invisible receipts from the booming shipping and harbour sector, receipts from the booming shipping and harbour sector, foreign reserves to back up the knoon have been piling up in the Extonian National Bank.

By the start of 1994, reserves had quadrapted to its K.5.237m (DM 655m), demonstrating the solid basis for a non-inflationary increase in the money supply needed to sustain the expected scenaring growth this year.

in old-style state enterprises, them ethnic Russians, have their incomes fall. An

only part of story, how-Ms Marju Lauristin, the minister of social affairs, estimates that income from wages and salaries only accounts for 55 per cent ■ average family income. Part-time jobs specially in the fast-growing service sector help make up the

in spite of all the wrenching changes in this small economy however, unemployment has remarkably low - although employment in the miles of the

has fallen steeply. Soviet Estonia boasted jobs, in only official work-places official work-places remain. Despite this shrinkage in the and engineering plants, oil industry, only 18,000 workers, between 2-3 per cent of the work force, are officially unem-ployed. A further 45,000 are registered as semi-employed.

Low unemployment is partly a function of definition. After six months looking for a job, the unemployed are struck off the unemployment pay regis-

Pockets of high unemployment certainly exist, especially in rural areas and in the heavy industrial areas which were built in the Soviet period and staffed largely by ethnic Rus-

However, thousands of new jobs have been created in the fast-growing construction, transport, private retail and other service sectors.

Tax evasion is widespread in the vibrant new capitalist economy. But recent tax reforms, introducing VAT and simplification of the income tax structure by imposing a flat rate 26 per cent personal and corporate income tax, have been designed to broaden the

A reform of the social security system this year will create a self-financing health and pension system based on employer and employee contri-

butions. The aim is to free-up the budget for more productive infrastructure and other

KANSALLIS-OSAKE-PANKKI

TALLINN REPRESENTATIVE OFFICE MEMBER OF THE KANSALLIS BANKING GROUP

Kansallis was the first foreign bank to quote Estonia's new currency the Kroon. The representative office that was opened in Tallinn in January 1994 is the most recent addition to the bank's network of international resources.



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Tallinn Representative **Aulis Rautio** Chief Representative Tallinn Business Center Harju 6 EE (IIIIII Tallinn Tel: +372-6-310 551 Telefax: +372-6-310 552

KANSALLIS-OSAKE-PANKKI

Head Office Tapio Aho VP, Area Manager Country Risks and Financial Institutions Aleksis Kiven katu 3-5 FIN-00500 Helsinki Tel: +358-0-163 9010 Telefax: +358-0-163 4213

PRIVATISATION

The pace is beginning to quicken

This year, 155 out of the remaining 500 industrial enterprises have been prepared for sale by tender, reports Anthony Robinson

hen 🔤 Estonian gov ernment decided last year that rapid privatisation of the virtually all-encompassing state sector was a priority it was not interested in re-inventing bicy-

Instead it decided to hire an expert from Treuhand, which has been responsible for selling off former East Germany's once-vaunted "crown jewels." The aim was to apply German methodology, modified where appropriate to the specific local

The man and the ideas came mixed together in Mr Herbert Schmidt whose penchant for blunt speaking appears to be matched by a similarly steely resolve to get privatisation up and running demonstrated by his principal Estonian colleagues, Mr Vaino Sarnet, director of the Privatisation Agency and Mr Jaan Manitski

The trio appear to circle around each other with a mix-ture of mutual respect and

The privatisation process started, as elsewhere in the post-communist world, where it was easiest. This meant the sale by auction or the restitution to former owners of small property - shops, restaurants and the like. The process is virtually complete, with the exception of rural wall and property with multiple and other legal problems are still

Large scale privatisation only started to take off in August Lat with lineration of the Privatisation Agency, (PA). The agency is modelled closely on Treuhand, and designed as a one-stop operation for potential tors - "the international investor wants to know with whom he can deal," explains Mr Vainet. "This is the one-stop agency which carries **m** the privatisation programme through

privatisation as fast as possible was an all-party decision, overwhelmingly approved in parlia-

This is reflected in the composition of the agency's 11strong board. It is chaired by Mrs Lila Hänni, the minister for reform and ownership transformation, and includes representatives from the finance and economy ministries, the central bank and

As Mr Schmidt makes clear the Estonian way eschews vari-

As a nation that spent many centurise under the tutelage of Teutonic land owners, the Estonians tend to be

And the government, faced with the

shape of Treuhandanstalt, the German

privatisation ______ This ____ Dr Herbert Schmidt, Treuhand's man in Tallinn, one of the

most influential figures in Estonian

Since taking up his job in autumn

1992, his experience and above all his

contacts in the banking and corporate

enabling Estonia to sell itself to the

neighbouring Russia. "We have kept investor confidence

so far – justifiable claim. He has brought from Treuhand a

worlds have been of invaluable help in

world – even at a time of instability in

despite Zhirinovksy" is Dr Schmidt's –

"philosophy" of privatisation - "in some countries," he says, "the main purpose is

the political one of dismantling the state

as rapidly as possible; in others, the exercise is mainly fiscal, aimed at boosting state revenues without looking

Dr Schmidt advocates a "third way" to

privatisation: seeing the process not as a

management skills, technology and capital. For "political" privatisation, a

Czech or Russian-style voucher system

privatisers the obvious road is straight

auctions. But the "purchase" of external

task of parcelling out Estonia's industries efficiently but fairly, has

looked for and a Berlin - in the

admirers of most things German

through vouchers, popular in the Czech Republic, Russia and elsewhere, as well as simple auctions to highest bidders.

"Privatisation 🖫 an economic exercise. It is not about selling assets so much as purchasing capital, know-how and markets," he says to nods of assent from his Estonian colleagues. "For this," he adds, "the appropriate method is the tender, with no distinction between foreign or local bids."

A few restrictions on foreign

Key role for Treuhand's man in Tallinn

DR HERBERT SCHMIDT ADVOCATES A 'THIRD WAY" TO PRIVATISATION

economy do, however, remain. Since April 1993, foreigners have been allowed to buy land, but only in connection with a particular land-use connected to their investment, not land as such. This is not overtly discriminatory but makes it harder for ethnic Russians and others, including the 10,000 retired Soviet servicemen, from buying in potentially strategic

The authorities have also drawn up a list of over 20 secwhich we currently

elaborate range of criteria to evaluate

Estonian colleagues to look not simply

at the direct fiscal benefits from each

bid, but at the more broadly defined "transaction value," which takes into

investment and employment.
He is frank about Estonia's possible

plausible than when he talks about the

While Estonians are by instinct a

law-abiding, even legalistic nation, the Soviet takeover of 1940 interrupted the

parliament's adoption of a fully-fledged

So the only legal tradition on which Estonia can draw is the fragile one that

Alexander II in the 1860s. That makes it

harder, though certainly not impossible,

He likes to compare Estonia with

"Hong Kong of twenty years ago" - a strategically located "entrepôt" and

efficiently-managed port. These assets, he reckons, should make up for the tiny

On the future of Estonian industry, he

"grew up naturally" in the pre-war period out of the region's own resources

can restructure and flourish. But some

of the manufacturing that was artificially planted in the republic by the Soviet occupiers, particularly in the

sector, may now wither away.

outpost of capitalism, with a deep,

is sure that those businesses which

was instituted by Russia's Tsar

drawbacks, which makes him more

account promises of long-term

country's undoubted assets.

civil war code.

to draw up contracts.

size of the local market.

Dr Schmidt has encouraged his

each potential buyer.

participation in the Estonian restricted for foreigners. They include electricity, harbours, gas, liquor and tobacco, but definitely not telecommunications where a joint venture hetween the state telecom sys-tem and Finnish and Swedish telecom companies is busy upgrading mobile and fixed land telecommunication systems in a 10-year priority programme.

The pace of privatisation started to hot up towards the second half of 1993. Last year the PA signed 50 contracts involving the sale of assets worth EEK 400m.

When taken together with assumed debts, future invest-ment, job creation and other commitments this translates into deals worth around EEK 1.5bn to the economy, securing 10,000 jobs, Mr Schmidt calculates. "This helps to make us popular with the unions," he adds.

The agency is now fully operational with 50 trained Estonian staff and 15-20 experienced consultants. partly to financial and other assistance from US-AID, the EU's Phare Fund; the EBRD and Treuband.

This year some 155 out of the remaining 500 industrial enterprises have been prepared for sale by tender, out of a total of what Mr Schmidt delicately escribes as 2,000 state-owned

In practice, a high proportion of these assets can best be described as "dogs," like the former Soviet managed rocket and military engineering factories which ran to a different ic when the economy was not about use and utility as now, but about power and authority - Soviet authority at

Some of the old plants may be salvageable in a new form, but the fate of many will be oblivion. But this process will be much lass painful than seemed likely only two years ago. Then privatisation of state ssets looked like virtually the only show in town.

Now the main dynamism in the economy stems from greenfield investments and start-ups by new homegrown and foreign entrepreneurs.



Thu Silves: reputedly the richest women in Estonia, she is guarded

Profile of a surprising entrepreneur

Tough, candid - and rich

ingly forthcoming about what it takes to do business in the

Ms Tilu Silves, Tallinn's that But she is also humor-best-known private entrepre- ous, resourceful and refreshbest-known private entrepreneur, first became fameus in the city as a rag and bone merchant. After graduating from selling home-cooked waffles and flowers in the streets of the capital five years ago, she started affering hard-to-come by video-recorders and other western goods for every five tonnes of metal scrap brought to her scrapyard in the Tallino

After sorting and baling, the crap was exported for hard

Today, she and her immediate family own and control silves Enterprises, a holding company with 22 operating divisions and subsidiaries in eight countries, including the US where she is building a nouse. Reputedly the rich woman in Estonia, she is guarded day and night by large, "re-cycled" gentlemen who received their training in the KGB.

Much of her time is spent lternately wheedling and threatening recalcitrant pay-ers in Russia and other former Soviet states on behalf of foreign companies which despair of getting payment through former Soviet world.
"Bribes?" she replies with a weary interrogative. "No bustness is done in Russia without

bribes of some kind. When I need wagons and I'm told nelzyo ('impossible'), then I don't mind if we have to slip something to the badly paid man on the ground to make sure he does what he is supposed to do anyway. But it sticks in my throat when we have to pay off the senior officials." She also has harsh words for

many of the new-breed Russian entrepreneurs - "they don't understand that many western companies approach Russia with a genuine desire Many Russians just feel-

that westerners have come to exploit Russia and are therefore fair game."
Many of her companies are

heavily involved in trucking and trading in foodstuffs, vehicles, timber and fish, as well as metals and scrap.

Less than 10 per cent of scrap comes from Estonia. now," she says. "We've cleaned-up Estonia. Now my

profit margins are really slim, once costs are covered." Competition is also fièrce in the foodstuffs business, selfing western products into the klosks and privatised retail food shops which have opened up in Russia and beyond.

While we are content with small margins, say five cents a can, the people who buy our goods in Russia load 15-26. cents on top. That's why prices "What they charge is their business. But I mais on got-ting paid. The golden rule is

never to pay roubles in advance,

My main headache at present is trying to get back.

\$250,000 I foolishly agreed to extend on a three-day credit to an Armenian hustnessman in

Moscow. I found out too late that he enjoys the highest proction. "He drives a white Cadillac

lives in Kruschev's old villa in Moscow's Lenin Hills and has friends' at the top of the central bank," she says,
"I'd shoot him if I thought Pd get away with it, He's a creep - α nothing," she candidly adds with a grimaca.

Anthony Robinson

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■ FOREIGN INVESTMENT

too closely at the buyers."

sale of assets but a purchase of

is appropriate; for fiscally-minded

help can only be done by using an

The inflow accelerates

more than half the EEK2,540m (\$195m) of new investment in the Estonian economy over the first land and the Scandinavian countries in the lead. The inflow is expected to quicken in 1994 with the speeding up of privatisation and a possible 4-5 per cent rise in GDP.

Investment mirrors the trade pattern. Over the first nine months of 1993, Finland - with EEK45.7m invested in 502 Estonian enterprises - topped the league followed by the US with EEK35.5m in 31 enterprises. US investors include

PepsiCo, although the largest US investor is owned by Mrs Tivn Silves, an Estonian entrepreneur — In the US. companies, eager to

secure a law in production invested EEK31m in M enterprises although their presence 🔳 actually greater nies, including And furni Boveri, through their Finnish EEK23m, wirtually all that is accounted for by one hig investment, the HTM Sport Estonia ski boot and accessory

Germany completes the list of the top five foreign investors with EEK12m in 35 companies while was bulk of the EEK8m by UK companies is the oil company. During entrepre-neurs invested in the in

the pipeline however will Sumitomo Bank 🖬 Japan involved in financing the big new and oil port Muuga, just Tallinn. Other foreign investments include:

☐ A \$10m investment by the International Times Corporation (IFC) in a \$44m project to modernise and clean up the 1m Kunda Hadi by the Estonian government and Atlas Nordic Cement, Switzerland's

Top trading partners showing ti

ountry	EEK m.	%
Finland	3,506	
Russia		19.21
Germany	1,424	9.72
. Sweden	1,376	9.39
Latvia	200	5.00
Holland		4.20
Lithuania	492	3,36
. Ukraine	397	2.71
. Japan 3. Denmark	382	240
Denmark		A.
1. US	311	2.0
2. UK	216	Les
□ Modernies	Hon of the	tolo

communications network, including a FMk100m mobile phone system and a ten-year \$50m fixed line project for the lines. Joint venture the Laurin government (L) and Tele-coms Finland and Swedish Telea, with 24.5 per cent each.

© Electrolux of Sweden - a plant produce 80,000

3,506 19,21 1,424 1,376 1,376 1,376 1,424 1,376	nine months of 1993, se volume in the distribution of the contract of the cont	largest and most profitable
in 492 3.36 of eight banks closed by	2,506 19.21 1,424 9.72 1,376 9.89 5.00 4.20	spires of Tallinn's historic centre and the nodding crein the harbour from who the city gains its wealth. The bank which started aubsidiary of Tartu bank, of eight banks closed by

The youth of the institution

banking hall is super-modern and functional.

Commercial banking profile: Hansapank

Super modern but still super conservative

Bruce Clark

tion of its close monitoring of the fledgling banking system, began as an independent institution in January 1992.

is matched by that of its 250 staff. Their average age is 25. This reflects the determination of Mr Tamjāru and his eight partner-shareholders, not to employ with experience in previous banking system, and ill concenheavily in limether - Wall training and state if the art computerisa-

Anthony Robinson | larger Estonian companies and

access to major business areas.

Combining the expertise in local

market possibilities, framework

up the target-customer base are received by senior management in a top floor foyer lined with elegant nude statues. You former Soviet republic. The bank may be super mod-

vativa - "our capital adequacy ratio based on RIS standards. is 18/19 per cent, and is growing through retention of profits. But if we are cautious lenders it is partly because we have cautious borrowers." Tamjāru notes. "Most of our landing finances working capi tal. So far, there is little long-term capital project financing and in any case the bank-ing system is still too small. The total balance sheets of all the 23 private banks put together in around EEK5.000m. while the total equity only EEK450m, around \$40m.

"As the central bank limits loans to any single customer to 50 per cent of a bank's equity, all the banks together could not raise more than \$20m. our bank, we limit such loans to 20 per cent," he adds.

This means that big invest projects, like developing lie me trained port al Muuga, modernising and reducing pollution in the shale

Billion Knoons ern, but it is also super conser

> cement and him industries or modernising telecommunications, is beyond the In the European bank for Reconstruction and Development (EBRD) stepped into finance ship-ments and ensure diversification of supply away from traditional **and united** It works closely with the Estonian Investment Bank, in which it

Bank of Estonia. Sumitomo bank 🖪 Japan is playing an important role in financing port modernisation. The hammational Finance Corporation has also announced

Nordic Internation bank and

a shareholder along

its first investment of \$10m in

a \$44m modernisation of the Kunda cement factory. Thus far, however, the presonce of foreign commercial banks in the small domestic only 1.6m people

limited in the tive office. Given the balanced budget and the automaticity of the currency board system, there is no defidi financing spur im development ul a money market, although the Bank M Estonia has started to inter certificates M Income which are and at matter with interest rates close to D-mark rates on international markets. The the of the

although the high spread between current 9.25 per cent yearly deposit rates and the 19.5 per cent average landing rate ensures a 14-16 per cent spread "which means good business." notes Mr Tamjarı But lending is expected to pick up sharply this year the quality of the entrepre neurs coming to us for money is rising all the time. We have been saying for a year that the economy has been growing much more rapidly than shown by the official statistics. New entrepreneurs, not privatiss tion, are the real movers behind economic growth. Business know-how A developing quickly, success is shining on our customers." he edds with a grin.

servative and liquidity high. At

Hansapank, foreign exchange

and fee income is currently

higher than interest income;

Anthony Robinson

(HMDC)

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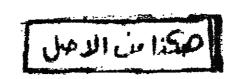


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party leaders - men like Edgar Savisaar and Arnold Ruttel took the lead and, in the summer of 1988, the Estonian Supreme Soviet became the first of the 15 Soviet national parliaments to declare national sovereignty. This was followed by the first free elections in March 1990 which brought openly pro-independence nationalists into the parliament and swept Mr Savisaar into power as prime minister. The government always as transitional but

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even mar in after in August 1991 and in which was immediately an occafrom Moscow ___ up constitutional assembly to draw a new constitution.

lists and nationalists together started work on the new constitution in November

Crucial political conundrum

and the document, which the authoritarian presidential model il un pre-war constitution in favour parliamentary government, was approved by minimum in June 1992. The first was the

new place in

September un and the patria, Fatherland front, alliance democrat by Mr Mart Laar, young former academic, emerged as the largest single grouping with 23 seats in the Riigikogu (parliament).

Mr Laar laam prime minthe five-party tive coalition government formed after the He party's swing to break an inconclusive to the presidential elections, which place time, ensure Lennart III as in first president of the manual line nian republic.

Meri, a - Museu Mmrater and historian, is the of the foreign militatur of the inter-war republic, and among in the prominent nians deported - Thin after the Beric telester in 1946. Ho lacks the formal powers enjoyed by Fits, the last pre-war president of Estonia, but enjoys tige u a man observer m Russian affairs and elder malantian in a government ministers

Last Meri revise inationality in in objections against by Council of Europe, and mand a Burry early when he prore-shuffle which, he feared with distract atten-I'm from the worrying signs II resurgent Attack of talk in the ing have a influence over the BARLE MARKET

Three Patricia's remail bistory, and the colonial make of dominance throughout the famile states, a crucial political conundrum concerns



صكذا من الاعل

Debate on civil rights of ethnic minorities

in and rights of ethnic minorities, mainly Busines speakers. with make up 18 per cent of the

All the property principles of parliament ethnic Estonians. Automatic citizenship, and participate in politics, with of Soviet-inspired Mark gration Wir IIII Non-citizens I local elec-Dans last year, but were not

eligible to stand = candidates Of marine

More than I'll the population of Tallinn, and over 90 cent of the inhabitants of Narva, the minim border city, are Russian speakers and over 10,000 from Figure army and KGB affirms have an up there retirement homes in merepub IL The latter in particular III openly warmed as a potential lifth column by many Esto-The government offers

help defray the removal expenses in non-Estonians wishing to leave and we esti-mated 30,000, plus thousands of Soviet military personnel and their families, have lall and in 18 months. Russian-speakers,

including an Principle 100,000 "old Russians" from Conde days, well to stay in is expected in broken a racy. They have granted residence permits in its next five years and the offer of citizenship conditional an learning language skills and demonstrating loyalty in the



President Lennart Meri: a well-known Sim-maker and historian

state. Dual citizen-المناسلة العق الا منطع Acute observers Mariu Lauristin, the michael affairs, note that in with at history speaking children, Illian segregated schools, seriously studying

FOREIGN TRADE

Shift in direction from east to west

language - "for Estoblood, the survival of lanrue and culture."

Lauristin 🚻 🗉 social democrat in government whose overall conservative philosophy | deeply influenced

by Thatcherite notions of the virtues thrift and hard work. Taxation and other policies are expressly aimed at manage ing the manner at a large, stable, property-owning middle class, concentrating social assistance on III really poor and introducing self-financing health and pension schemes.

Fir many, I'm and determination to the prosper-ity of its Scandinavian neighbours by the turn of the century is symbolised by is top priority in a first lishing and then sustaining a convertible, gold-backed, independent national currency.

Significantly, plans for new independent Kroon were first drawn 📜 in 📖 💏 Mr Siim Kallas, the president the Bank of the not hanker but member M W Union working closely the Star now waning in limit He that reforms

monetary reform, doubted limit Russia's reformers had the strength in push through was required, but vinced lalone could succeed. Two of independence proved him

Anthony Robinson

On the waterfront: Peeter Palu, head of Tallinn port (right), with an Estonian border guard

ice-free ports and new ships

Ambitious renewal plans

Important developments are under way at deep-water ports of Tallinn, Muuga and Paldiski, reports **Anthony Robinson**

Shortly wrested control over the from the levels of the cars of 18th century, 🝱 Russian Czar singled out three key sites for future port development – Paldiski and Tallinn in Esfonia, — St Petersburg

For 50 Paldiski was a eventually, a nuclear submarine port, off limits Estonians in tucked war behind and double beried wire. Earn the image and windows wi Follows bleak, Soviet-era, prison hang agape, a clutch ers in rusting if anchor, in barracks and buildings are gut-

fin a bleak January illia noon, the last trucks loaded with ripped-out cables and any-thing else of value, were being loaded on to a may naval transporter, the Donetsk Miner, before heading off to the Russian enclave II Kaliningrad,

formerly Königsburg. By mid-1994, the last of the dismantled training reactors will have been removed - and Paldiski, with its sheltered harand III draught, will be both liberated and potentially ripe fur development as a commercial harbour or, given the area's natural beauty, a yacht basin and tour-

But the real focus of Estonia's maritime and entrepôt enterprise the ice-free, deep-water ports of Tallinn and

oil and container terminal now being extended and developed at Muga, will cost \$500m. The 18-metre dranght ensures that Muga, like Tallimi City Port with its 16.5-metre draught, is able to take every kind of vessels able to sail in the shallow

Neste the Finnish of company, has helped finance a 500,000-ton oil storage facility at Muuga while Japan's Sumitomo bank, as well as the World bank, the EBRD and other international financial institutions are involved in plans to build a 800,000 unit capacity container terminal, a coal export facility for the Russian trade and improved ro-ro and other facilities.

Il Petersburg, by comparimuch a poorly equipped and gerously polluted and poorly guarded, Already a high portion II Russian including mineral shipments by rall from a fer all as Kazakhstan, plus more than 70,000 Lada cars for export and other fragile, or vulnerable cargoes, are shipped through Tal-

The new Estonian shipping limit out of Morflot, the former all-union form ship-ping company, are the main source of hard currency earnings. Taken together, the income from hard currency services - shipping, port services of all kinds and tourism - help to keep the account in surplus.

basis for future development of m largely service-based econ-omy for the capital city and its entrepot trade with the former states and the me the To this important extent, litt real primary

prosperous in linked to foreign trade. Meanwhile, Tallian is the

home port for the Estonian Shipping Company (ESCO). which took over maritime assets left at the time of the Soviet Manual II has embarked in an renewal programme to update its current fleet of 78 ver 517,000 dwt capacity. Its inher ited stock of general purpose ships, ro-ro vessels, timber carriers, bulk carriers and riversea going ships have an average age of nearly 18 years.

The company, due to be privatised by the end of 1996, carried 5.23m of the just over 11m tonnes of cargo which passed through Tallinn port complex, including the new port of Muuga, last year.

Trade with Scandinavia gen erally is rising strongly, although the fastest rise in both passenger and freight traffic is on the short Tallinn-Helsinki run of only 80 kms, essentially a link in the mooted Via Baltica super-high-way which will eventually con-nect Helsinki, and St Petersburg through the Baltic States to markets in central southern

With well over 2.3m passen gers now passing through Talliun every year, a new ferry terminal building will be ready for the start of the tourist season in May.

Mr Peeter Palu, who was construction minister in the former communist-era governjobs in both the port and the connecting transport services as well as the bulk of manual grades, effectively (meaning and the second second "Under

ne port already being differently,"

potential for rapid growth once this can be placed on an ordi-commercial basis. Estonia's foreign Imali more than doubled last year, but Russia remains an important partner, as

hen Mikhail Gorba-chev, the last Soviet president, sought vainly to keep Estonia and the tury.
Estonia's experience over the other Baltic states within the Soviet Union he warned that divorce would cut the umbilical cord which kept Estonia supplied with energy and raw materials and lead to economic

Nothing could have been further from the truth, although Mr Gorbachev almost certainly believed in what he was say

Anthony Robinson

reports here

Within two years Estonia has shifted from more than 90 per cent dependence on the Soviet market to around 30 per cent, including trade with its Baltic neighbours, Latvia and Lithnania which it is trying to boost through the Baltic free

Russia remains an important trading partner with strong

t seems a long time ago now, but back in the late 1980s, a

man called Mikhail Gorba

chev was struggling valiantly to shore up the Soviet econ-

He gave enterprises more

independence, in the hope they would

ones, and encouraged them to

seek help with re-tooling, par-

ticularly if they were maken

In Russia, the old dogs of communist industry were

reluctant to learn new tricks.

instead of making better con-

sumer goods, they used their newfound freedom to splash

out on western haxuries as a treat for their workers.

But the Baltic states were a

different story. By Soviet stan-

dards, they already had flour-ishing, innovative light indus-tries – and they jumped at the

opportunity Mr Gorbachev

independent Estonia has rea

son to thank Mr Gorbach

William a Talling

fered them. For this, at least,

A typical beneficiary of the

Gorbachev innovation drive is

staking out a claim to be the

region's leading garments

maker. Three years of consul-

tancy from the UK company

Taylor Woodrow helped the 65-year-old business re-orient

its production from the unde-

manding Soviet market to the

of scarce consumer goods.

Petersburg, with more than 9m inhabitants in the city and its surroundings, is a rich potential market for agricultural and industrial goods.

Tallinn and other Estonian ports are well-placed to serve the expected growth of Russian

last three years demonstrates that a combination of political independence, a strong rency and a rational, marketdetermined price structure can lead to dramatic shifts in both

Value of foreign trade 5127

fulness of foreign trade. In the specific Estonian case it has led both to a change in

the pattern of trade, as energy

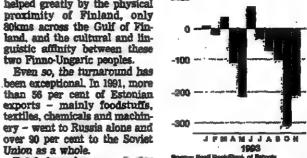
industries have been closed or at back, and a geographical shift in trade from east to west. aspects have helped greatly by the physical proximity of Finland, only 80kms across the Gulf of Fin-land, and the cultural and lin-

two Finno-Ungaric peoples. Even so, the turnsround has been exceptional. In 1991, more than 56 per cent of Estonian exports - mainly foodstuffs, textiles, chemicals and machinery - went to Russia alone and over 90 per cent to the Soviet

Union as a whole. Tural dependence on Sala oil and gas ensured a similar pattern of imports with Russia accounting for U per cent of imports. In 1993, Estonia's foreign

than doubled in around (Over \$1,450m). Dead in figures for that exports, at EEK7.148m to same period in 1992 while imports 240 per small negative balance of

Foreign trade balance



Further strong trade growth is expected in Estonia, with excellent deepwater ports, resumes its old league trading habits in the econ-

omy expands.

Given the small overall size of II economy, the potential for growth lies in shipping services development of an already substantial entrepôt trade. With a touch irony, and likes to bill itself ... "Hong

Kong ul III Baltic." The move of Estonian exporters into new markets meanwhile will be facilitated by a series of new trade agree-

These started in July 1982 with the bi-lateral free trade agreements with Finland, Norway and Sweden. This was followed by the trilateral free trade agreement

between Estonia, Latvia and Lithuania in September 1993. This year, Estonia and the European Commission are due

to discuss a free trade agree-ment with the EU, talks which will largely try to eliminate the possibly harmful consequences of Finland's own application for EU membership. For Estonia, close trade and investment links with Finland

are vital. In 1998, Finland became both the main export market, taking 22 per cent of Estonian goods compared to Russia's 20 per cent, and the cent of total imports compared to the 19 per cent supplied by Russia, Sweden and Germany immodesty, the port Tallinn are the next most important

its fabric comes from western

Europe, So, too, does the gran-

ulated plastic which is the

Bruce Clark

Light industry benefits from innovative drive

Scandinavia. With average daily output of 1,000 jackets and blouses, 2,506 pairs of tronsers, and wages of less than one fifth of the Scandingvian level. Baltika is a useful

sub-contractor for middle-mar-ket European clothing chains such as Next and C & A. Baltika has two labels of its own - Plus B and Baltman -

While Baltika's own brands accounted for just 20 per cent of output last year, the hope is to boost that figure to 50 per

Group turnover, including 18 wholly or partly-owned last year) and soon as it had able, the company hopes to some sown in western Europe. Another of Tallinn's light-in-

dustries is the HTM ski boot factory. Here, a foreign technology partner of several years standing - the Austri-

plant to bandle and product quality is nowhere near Balti-

sortium, ETM - took a 90 per cent share in the joint that was created last summer out of Salvo, an Estoman business that once made interand other plastic goods. New annual production of pairs of ski boots, nearly 8

which it sells at five stores in Estonia and is now introducing them to Latvia and Lithua-

cent in 1994.

companies, is also seen rising impressively, to EEK 200m this year from EEK 135m in 1993. But profit margins in the embryonic Baltic market are relatively low (about 6 per

In Estonia,

we mean business

range - including bindings

makes much use of local makes much use of local makes

be full alling

Neither Baltika por HGM

and diving equipment.

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Fish med plant 50-60 tons our day Corned fish lins 26,000 per day Tet +(3722)467212 Address: Paljassaure road 28, Tallinn EE0003, Estonia In the Russian-speaking border town of Narva, where Slav and Nordic worlds meet, old resentments are never far below the surface

ravel to Narva from the west, and you will be struck by the grim monotony of the apartment buildings, by the paucity decent shops cases or anything else to relieve the dullness of the scene. But the sensations are quite different when you cross the Narove River and enter the town from Russia under the awesome shadow of a white medieval tower which for centuries was the outmost

bastion of Nordic power. Compared with the adjacent bits of Russia, the pavements look cleaner, the roads better maintained; and the visitor is grateful for a restaurant that can serve up a tasty enough and would not disgrace depressed Belgian mining

Narva has often been a nodal point between the Slav and Nordic worlds. In 1700, Peter the Great suffered a humiliating blow when the army he sent to the town was routed it was this defeat which spurred him to wrest the whole Baltic region from the Swedes.

Today, the town is once again an acutely sensitive spot, for there is nowhere else in independent Estonia which has such a high concentration of ethnic Russians. Barely 3,000 of the 82,500 townspeople are of Estonian origin. And if relaauthorities and the Russian-

An acutely sensitive hot spot

than balf the 12,500

ally impossible to procure the

hasic raw material, cotton from

central Asia, for the simple

reason that it gets stoken on

the way through Russia.

After dipping into insol-

vency, Narova, a furniture fac-

tory, is struggling back on to

its feet, thanks to partners in

Hong Kong. But its chairman.

Mr. Valery Myachin, says it

has been an upbill struggle to

wean his 1,500 employees off the Soviet habit of production

Political tension came to a

head last summer when the

Estonian parliament passed a law requiring all inhabitants to apply for citizenship or resi-dents permits, a move that

appear to mean expulsion for those who failed to qualify for

In a stinging rebuke, Presi-

dent Yeltsin accused the Tal-linn authorities of practising

for production's sale.

speaking community should Narva, where only 12 per cent ever break down irretrievably, of residents have qualified for this is where the break will

Just over the river - and the border - lies the Russian fortress town of Ivangorod, which in Soviet times formed a single conurbation with Narva.

Because it views itself as legal successor to all the territory of the pre-war republic, Estonia formerly asserts sovereignty over Ivangorod. And there are hotheads in Russia who also want to re-unite the towns - by taking Narva back. So Narva is the place where Estonia's biggest internal prob-

Since language skills been made a criterion of Estonian citizenship, more than 400,000 of the republic's inhabitants have failed to quality for passports. Essentially, these people are Soviet-era immigrants brought to the Republic by the Communist regime as soldiers or workers in new

They are the reason why the ethnic Estonians share of the republic's population has fallen from 88 per cent in 1940 to just over 60 per cent today. And "immigrants" and their famiform the overwhelming majority of the population of workers at Kreenhohn, a giant textile factory, are gainfully employed. It has become virtu-

Estonian passports. Although Estonia has convinced several pan-European hodies that its laws do not violate himan rights, the de facto situation is a peculiar and potentially dangerous one.

About one Estonian resident in three can complain that he is subject to "taxation without representation." The non-citizens are agents in the Estonian. economy - as tax payers or social benefit collectors - and subject to Estonian law, but they have no input into Estonian policy.

For many members of the minority, discontent over their legal status is assuaged by relwell-being. Russian factory worker in Tallim is still better off than his counterpart in St. Petersburg – but that factor hardly applies in Narva. One in three residents is a pensioner, relying on an income that is barely above the poverty line. And Narva's factories, once show pieces of Soviet industry, are in diffi-

"ethnic cleansing" and apart-heid. He warned that they would bear the "entire responsensitive Baltiits, which makes equipment for handling sibility" for any breach of pubmanium, has work for barely 1,000 of its 5,000 employees. Its hope probably lies in mar-keting high technology medical His adviser, Mr. Sergei Stankevich, went even forther.

minority reserve the option of "self determination" if its rights were trampled

Translated out of Soviet language, these threats were clear enough unless Estonia was a little kinder to its Russians. Moscow might sponsor a local "independence" movement within Estonian territory which could tear the Republic apart - that is exactly what Moscow has done in Georgia and Moldova, with tragic results. In both those cases, Moscow made the calculation correctly - that the Republic authorities would over-react to

the situation.

So the challenge for the Estonian government is how to avoid falling into the same trap. Events appeared to be moving in an ominously familiar direction last year when pro-Russian politicians defied Tallinn and staged a referen-dum on "autonomy" for the that over half the adult popula-tion passed ballots; the Esto-nian authorities – who urged residents not to vote but did not physically prevent them dismissed this figure as an

Tension in Narva has eased since it became clear that most



Obsiding line; the bridge at Marve where the Slav and Nonlic worlds reset

Soviet planners' efforts to exploit shale have boosted energy supplies

Grim legacy has surprise benefits

ethnic Russians in Estonia will, in practice, receive residents permits for another five years. Another stabilising factor was the outcome of last October's fighting in Moscow, and the defeat of the "parlia-mentary" forces which had always been keen sponsors of the most militant factions in

But resentment is never far below the surface. Estonian law allows resident aliens to vote in local elections, but not national ones. And even in local ballots, only citizens may

stand for office So Narva's old town council, elected under Soviet procedures, has recently been replaced by a new municipal authority in which the key figures are Estonian or at least pro-Estonian. The new authority maintains that its predecesindustry, deliberately turned away foreign investment pro-posals because economic discontant suited their political

social tension, so they could

call meetings in the centralsquare and whip up false rumours, says Mr. Ants Limets, the Municipal Secre tary. "It was easier for them to do that when the local economy was in serious difficulty.

The challenge for the new administration is to boost local living standards to the point when the populace no longer provides tinder-dry material for Russian nationalist firebrands - from the town or fur-

Bruce Clark

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AGRICULTURE

Farmers bring home the bacon

At first glance, Estonia's agricultural statistics seem to tell story disaster. Yet the sector recovering steadily from the shock of Soviet collapse, and it is already contributing substantially to the republic's economic turnround, writes **Bruce Clark**

stonia's hardy, practical folk have always been first-rate farmers. In the 1930s, the country foreshadowed the post-war success of Danmark as an agricultural exporter, its seed potatoes were admired all over Europe, and its bacon and eggs were sold in every city from London to Len-

The the Communist system, too, an an important supplier of meat and dairy products to Russia. Its agronomists prided themselves on keeping in touch, through in Scandinavia, with all the developments in agricultural technology; and it is still hard to convince them that they have something to learn from western Europe

about growing potatoes.

Collective farms in the smallest Soviet republic carved out a formidable reputation as purveyors of farming skills to the of the Union. Compared with the live regions nature had been much kinder, the Estonians' use of was far more efficient and their veterinary knowledge outstanding. The Danish-bullt slaughter-

house at Rakvere, capable of handling 800 cows a day, meets the highest international standards, as the dairy prodfactory W Viru.

should have

Estonia better equipped to face the brave new capitalist world than most parts of the former empire. But the economic disintegration of the Union - and the breakdown of virtually all agricultural trade with Russia - was, at least in the short term, a body blow.

not so III DEPOSITS From Maria States. instant creation of a huge mountain of surplus farm produce which depressed prices on the internal market. The livestock industry, traditionally dependent on Russian fodder, was only saved from collapse by free deliveries of western From Estonia's point of view,

the ideal solution to the crisis would be a steady increase in agricultural sales to the West. Farm goods already account

940,000 three years ago Last year, farm gate prices in both those sectors were barely international level. Only now is the market tightening to the point where makers of high-quality cheese are finding it difficult to obtain

experts an specialdairy products cheeses, milk powder - as providing Estonia's best hope of gaining a long-term foothold in overseas markets. The export of live animals to the Middle East, notably sheep to Syria, is "About one-third of our

milk of the right grade.

farmers have already adapted their thinking to the market-place," says Mr Ants Leansalu, a senior official at the agriculture ministry. "Some of the remainder still believe in pro-

The economic disintegration of the Soviet Union was, at least in the short term, **a** body blow

for more than 20 per cent of total exports, more than any they will gradually adapt." other single sector, and quality control and packaging more and more closely aligned with western requirements.

But Scandinavia and western Europe are, of course, brimming with their own, heavily subsidised farm output. Indeed, Finland effectively dumps on Estonia a significant slice of its domestic farm surplus, which is duly bought in the shops of Tallian by bargain-hunting

So Estonian will have need to be even more canny than usual if they are to secure a firm niche in the key products has plunged since independence. Milk production is projected at projected at projected at projected at projected at projected to be a second to this down from 1m in 1991, and grain forecast if no in the 550,000 tonnes, down from and half inde-

duction for its own sake. But Yet two question marks

hang over the future of Estonian farming. One is the struc-ture of ownership: how fully and how soon Estonia will switch from the agricultural collectives of the communist system to reliance on the fam-ily farms which seems to be in the blood of every Estonian? There is a universal consen-

sus on the desirability of reverting in private farming, and of restoring as far as possi-farmers and their The legal procedures by which former to can their be exist, although they are in and refinement. And yet the privatisation pro-

cess has been curiously slow.
In Soviet Estonia had But grad a billion i Mar.

pendence, the proportion of land farmed privately is still only 14 per cent, while the gone a very limited break-up into about 1,000 co-operatives and public companies. No one denies the

in the way of privatisation.

Many pre-war family
have gobbled up by
expansion forestry. ome have divided between collective institutions. Most pre-war farming families will no longer want to work the land themselves; and the interests of current users must

The average pre-war small-holding, at 25 hectares, would not be economic in today's conditions. Many of them con say, 30 metres by 1,000 - which were sliced out of German baronial estates in the 1920s. By now, the strips have been merged into huge fields, and it would make little economic ense to divide them up again. And yet the consensus among experts is that given

the political will, all these difficulties can be overcome. Since the the pre-war land registries are intact, it should be possible to identify pre-war farming families and invite them to choose between selling or renting to the state or current users. There is a mystery as to why this has not happened.

The other question mark

concerns sales to Russia, which is course linked to the absence of an inter-gov-

ernmental trade agreement Russia rules out and arrangements; but with capitalism flourishing in both countries, it ought to be possible to revive the old trade on a strictly private sector has

two questions in officialdom: is the Russian govern-ment willing to give Estonia the economic shot in the arm which reviving the farm trade would mean? And if not, can it actually stop Russian businessmen from importing produce if they want to?

Estonian eggs have returned to the Petersburg market. Russian - II - II on Estonian have failed to disrupt that trade. But many Estonians fear that if the crossborder trade in meat and dairy products shows signs of reviv-ing, Russia will immediately erect more tariff barriers, for reasons that are as much political as economic.

As in every other sector of Estonian life, the influence of the Russian factor is an enigone. And indeed, Lore are some suspicious minds The slowness of the primate that to the hidden hand of Moscow. And it is undoubtedly true that re-establishing Estonia's yeomanry on its ancestral lands would make the territory that bit

Lochlann Publishing

Tykistókatu 6 A 5 Turku, Finland

of its total energy requirethe neat wooden houses of Kivioli village seem resque - until you sniff the acrid air and the ecological horror visited on the once fertile lowlands of

north-eastern Estonia. By the laws of market ecoand ke we light of environmental common the layer of shale which underlies entire should have been left where modern man found it - a few metres Estonia's energy planners aim to take maximum below the ground. The com-mercial and human cost of advantage of the republic's self-sufficiency in power extracting the black, stony mess created by algae 450m years ago is surely far greater

which the shale contains But Soviet planners did not see things that way, and their determination to extract, pro-cess and exploit almost anything at almost any price has had a happy side-effect.

than the value of the oil, bitu-

men and other chemicals

Where most of the form Soviet republics depend on Russia for their energy, and are therefore acutely vulnerapressure from Moscow, Estonia can satisfy all its elec-tricity needs — and 65 per cent-

mining can be reforested with success, the tips of waste left ments - from domestic sources. At Kivioli and two by coking are disastrous. Their deadly cockiall of phe-nols and benzofurans will, if other quarries, plus six deeper mines, 14m tonnes of shale is left untreated, seep steadily into Estonia's ground water. extracted a year.

"If we were starting from scratch, nobody would mine shale on this scale. But since we have inherited the machin ery and plant, it makes sense to continue," says Mr Leonid Talke, director of the open-

Talko is being paid a meagre \$20 per tonne of petroleum equivalent. Electricity is sold

With ofl accounting for

about 20 per cent of the shale

by volume, that means that Mr

cast works at Kivioli. His exca vators have already covered an area of 6 kms by 3 kms, and mining is expected to continue for another 15 years; Estonia's entire shale reserves could last for another century.

The sharp-smelling air is caused not by the mining itself so much as the coking plant next door. In addition to extracting oil, it produces bitumen, formalins, and a host of industrial chemicals as well as turning out - in a unique as shampoo and detergents. While the mountains of stone thrown up by

try - back to life, and solve a

number of ecological problems.

US cents per kilowati-h If the necessary grid were constructed, Estonia could make a handsome profit by exporting power to Sweder and Finland. In Soviet times the republic was at one point sending 60 per cent of its elec-tricity output to Russia and Latvia; now recession in those

Estonia's energy planners aim to take maximum advantage of the republic's self-sufficiency in power while minimating dependence on Russia in ising dependence on liquid fuels and gas.

business to a fraction.

nies which buy fuel oil from finding it harder and harder to get supplies; and the national power utility, Restl Energia acknowledged that only 30 per cent of its tanks were full.

To balance the effects o this, the authorities are battl ing to reverse the profilgate energy consumption habits of the Soviet period – when gas entering Estonia was not even metered and homes and facto ries were poorly insulated.

The cost to consumers of en raised sharply, while the e of peat and wood-burning plants for broan heating systems has been encouraged. At Kivioli, Mr. Talko – a Ukrainian with a brisk, competent manner - is the first to acknowledge that proper husbandry of Estonia's energy resources will not be accomplished overnight. He points with a shudder to the flimsy window frames of his office, a poor defence against the icy winds outside, and asks: "How

Bruce Clark highlights Estonia's inventive tradition and creative flair

A nation of talented innovators

Estonians make good inventors. The small Estonian community in Sweden has prointo and Laurent Intractor Hint - - low efforts were rewarded with a criminal case and gristy death in prison - had one of the mad original minds in Union.

Mr Then Pungas is another standard-bearer of Estonia's inventing in the A florid, genial figure whose looks reflect in Editor farming Mr Pungas rose to considerable prominence in the Soviet scien-

In the 1980s, Moscow put him in charge of a sensitive governproject seeking to a staggering years - the average time lag between scientific discoveries and their application in Soviet industry. He was successful enough to make some bitter enemies, notably bureaucrats in Moscow industrial ministries with a vested interest in

maintaining the time lag. He has now returned to his te head the local inventors. Union and campaigns vigorously for the adoption of tough matent laws. While his work in Moscow involved ploncering technology in fields such as lasers and compact discs. Mr Pungas in engaged in the more homely task of restoring the 60-hectare family farm where he grew up.

NordBalt INVESTMENT REPORT

can biotechnology company.

The can tips, Mr Pungas

out, mr a hazard to meutralised,
anyway. His proposal is to create soil-enriching virtue out of a poliution-fighting necessity. The alkalinity of the oil-shale

He has be found a way to bring his ancestral acres - ruined by noxious waste from the shale-oil indusnot survive in it - is counterbalanced by the acidic pig slurry so the redolent mixture becomes an agency for restor-ing micro-organic life, as well as minerals, to the soil. The inventor reckons his fer-tiliser soil could be used by

In a discovery for which he recently filed US patent application, Mr Pungas an environmentally Middle Eastern states battling friendly of olishale waste, pollutant that
is turning the Baltic into a

sea – plus an

produced by Medina, an desertification and for reforestation in Scandinavia on soil damaged by chemical fertiliser and acid rain. After "extremely positive" indications from tests on potatoes and tomatoes, he plans to go into production on a small scale - about 30,000 cubic metres - this year and hopes to capture a large chunk of Estonia's 3m ton per year market in fertiliser soil.

But Mr Pungas is not count-ing any chickens, or fertiliser

pellets, yet. Already, he says, he sees signs of "negative reac-tion" to his project: samples disappearing, faxes going astray, production licences fail-ing to materialise.

He says he cannot tell whether this reflects the activity of commercial rivals, or of governments who fear the economic strength that pioneering a successful fertiliser project

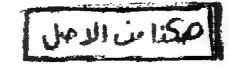
would give Estonia. But if Estonia's inventors are permitted, mixing shale waste and slurry will be the first of many ideas and the country's ability to convert these ideas into profitable production will be a test of its viability as a small but efficient outpost of-

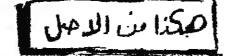
Bruce Clark



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LONDON STOCK EXCHANGE

Gains reversed following Federal Reserve move

Terry Byland, UK Stock Market Editor

The recovery of confidence us the market, extended in early trading yesterday. ish bond market collapsed after the US Federal Reserve moved to tighten interest rates by a quarter 📶 a point. Equities 📭 🕶 their initial gains M close with a fall of 30.1 on the FT-SE 100 Index,

which moved through a point range during session. There was no great rush 🖿 sell equities, although and index futures suffered heavily, with IIi June on the Footsie Index wiped off II screens at one time, while the September maked quotabecame "fast market" - in which market makers are not deal at quoted prices. the shock was over, equity strategists expressed surprise at the

market's violent reaction lin a minute by the Federal Reserve which has been widely predicted; many US strategists have warned ITM Federal Funds rate www likely w be raised before III meeting of the Federal Open Market Commit-

The FT-SE was closed virtually u um day's low, its 30.1 point fall taking it 🖿 3,138.2, with 📂 important support level of 3,150 had a level of tank support level of 3,150 had a level of tank support level of 3,150 had a level of tank support level of 3,150 had a level of 1,500 Wall Irms opened lower before rallying in show a 27 point in London trading hours; New York bonds and equities resumed their downturn after the UK market

The setback in UK stocks was all

Accou	nt Dealing	Dates	
*First Doelinge: Apr 11	25	18	
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Last Deplings: Apr 22	May III	Jun 3	
Account The	May 23	Jun 13	_
"New Une deals		place from	•

the more disturbing for traders because, in the early past of the session, the market had shown significant confidence in prospects for base rate cut in the very near future. A trading worth hearly £50m was identified at mid-

This was largely based on Fri-day's disclosure that domestic inflation has remained low, but we butin by further second an dollar and But London still

nublished vesterday

The latest survey opinion in the distributive industry from the Confederation | British Industries indicated that retail sales had slowed Im month. Official statistics showed that UK producer prices had risen by only 0.1 per cent in March, mar expectations.

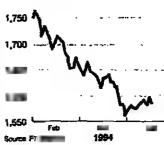
Both reports hones in the market that base rates might be cut quickly is order to foster economic recovery. Market analysts believe that the could use the could this if the March retail sales statistics, in Thursday, the halles welves.

The views took the Footsie ahead by 23 points in early deals, although this was soon clipped when bond markets Europe to miss us the US some 10 points up when of the Federal Reserve flashed trading screens in Lon-

In the day's setback, analysts were hopeful that the UK marcould remain firm - but only if global bond markets can hold safely establish themselves at new levels. Rumours of renewed heavy losses bond traders circulated yes-

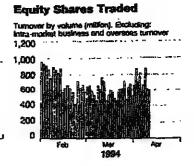
The FT-SE Mid 250 In fell III to 3,814. Seaq volume increased sharply as futures markets plunged, sparking off beavy arbitraging ledwer and index measure and the underlying stocks. But non Footsie and are around 63 per cent at day's total De Friday, shares traded, worth I in retail





Key Indicator	5		
ndices and ratios			
T-SE	3138.2	-30,1	
T-SE Mid 250	3814.0	-10,6	
T-SE-A 350	1596.5	-12,8	
Table 14 Person	May all	-11.71	
T-SE-A III-IIIII IIII	1,430	1.01	

Oil Exploration ... +0.5



Non Fins o/e

E -	3138.2	-30,1	r index	
E Mid 250	3814.0	-10,6	FT-SE-A Non Fins p/a	
E-A 350	1596.5	-12,8	FT-SE 100 Fut Jun	U
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High retailer Starchouse bit by III departure III another senior executive, which prompted a sharp 🛅 in the shares and a change in stance and a number of brokers. Analysts 📖 📭 resignation of the Mothercare a particular blow, given impressive performance by Ann Iverson in improving the baby and

which is an a one of me group's key growth areas the next few years.

One must analyst said: "Any senior resignation like that is make people jumpy, but 📹 Storehouse II be becoming a habit." The had four finance directors since the three chief executives 1988. The shares retreated 11 m 218p with turnover a helty 9.2m.

Among Une shifting on Storehouse Hoare "undervalued" 🖿 "hold", 🖚 ommending investors turn their district lasted to Sears. Coincidentally, Sears, health with Hart, was being

Laura Ashley, the fashion retailer which last week lost dell' executive, Analysts that such a must be the court in region of the had drawback of inheriting Laura Ashley's troubled III business. The takeover talk kept the shares of all three steady, with Laura ley slipping a half-penny 🖦 79p, Next improving a permy to

potential bidders for

Eastern Elec. firm Eastern Electricity Control of only a handful of FT-SE 100

238%p and limit remaining in

emalitation in make any sub-

advancing strongly III close 81/4 higher at was added ing Summer of 4.7m. pany paid big premium

stantial yesterday, 🗀

complete III man buy-back programme. Yesterday bought 4.1m Entry received the shall be

approval to mitari on a rilem buyback programme involving terday's and produced at more buyback price of the whole re-purprogramme.

regional electricity made good progress the must of trading, helped by

TRADING VOLUME

Stocks Yesterd:

Vol. Closing Day's 000s sales cheno

Budgens upset

pear in March

ongoing speculation and the

which of the electricity deat

bution and generation

may benefit from increasing

speculation of potential stake-

building and purper activity

the Government's golden

shares in an companies disap-

in was a story that the

Grid, owned by the 12

"recs" being prepared for a

public flotation war year.

an helping to up the

A profits warning from gens, its discount from retailer, we the signal late a retried among other smaller operators. Budgens said Um trading profits likely to come in at around 15 per cent lower than last year, blaming the tough trading climate. The group also 📥 that 🐂 new trading being under-with Rowe, the German discount group which owns 29.4 per cent of Budgens, had incurred additional and Budgen shares slid 5 to 29p. Save retreated 15 to 568p, Wil-Ham Low 7 to Line and San-

Planna strings stocks suffered untitued selling with Glazo worst hit in the suffering sector as traders picked up on a story in a M newspaper. The newspaper reported that the family of a woman who died after taking the compa-

ny's anti-migraine drug was to

sua Glaxo. A Giaxo spokesman

confirmed hat legal action was

balng taken but added: "Suma-

(*152) Bacr

NEW HIGHS (87).
BANKE DO BULLDING I CHSTRIK ES COP LOS, Rejent, Shoro, CHEMICALS (6 Auto, Hoches, CL, Yule Catto, DESTRESSITORS (2) Denman, Hartons /pc. Pri. ELECTRING & ELECT EQUP (8) Forward Tech. Incs., Mirubath, Phupo, Do France 5 'spc., Toribia, EMCMEERING (6) Dormock Hunter, Kotsey, Kobs Steel, Spatassor, Vennan, ENO, VPSGLOS (6) BBA, Do 6.75pc Pri., Dormor-Booz, Fig. Volcopoper, 1882, Pri. (1982) (1983) (1983) (1984) ((2) PARTIES ON POILS, Witterford Windowson, INVESTMENT TRUSTS (7) INVESTMENT COMPANIES (4) LEISURE & HOTELS (1) Ramotion's (n), MEDISA (2) Metal Euleum, Telegraph, MERICHANT BANKS (1) Ros Bros GIL EXPLORATION & PROD (2) Brit. Bornes

NEW HIGHS AND

LOWS FOR 1994

Oil, EXPLORATION & PROD (2) Ent. Bornes, LASAID, Monument OJ, OTHER FINANCIAL (1) Westorn St.D., PRING, PAPER & PACKE (2) Breath (DSI, Wyndehom Press, PROPERTY (1) Autenti Associa, RETAILERS, (SEMERAL (1) Cityer, SUPPORT SERVES (3) Advanti Accounts Into, Sema, TEXTILES & APPAREL (4) Alexandr Wisshesser, Deviderst, Orlice Host, Toray, TRANSPORT (2) AMERICANS (1) NEW LOWIS (88), BREWISPEED (1) United Booweries, Justin Havil & (CNSTRIM (2) BOOWERS, JUSTIME 1891 & (CNSTRIM (2) Browerins, MET HIET A. CNSTRM (2) CHEMICALS (1) Werde Storeys, DIVERSIM INDLS (1) ELECTRING B. ELECT SOUP (4)

PHANTHANCEUTECALS (E) Glass, Probast Int'L, funestiding Benchain A, Do Linbs, Welcome, Zensce, Front Entry (4) RECALLERS, FOOD (2) Budgers, Low (Min), and the series (E) REPART (6) TEACHOR (6) TEACHOR (7) TEACH

has been subject to rigorous screening throughout its development and is now licensed in 67 markets wide and has been taken by million patients." The shares fell 17 to 558p with 6.3m

Elsewhere, Wellcome fell 10 to 52Sp in spite I report that the companies All! treatment of combination therapies. SmithKline Beecham slipped 5 to 359p in the 'A's.

A two-way pull in American British Foods saw a share shade 2 down in 596p. The Elania manu nelle pressure early on following with the press speculation Unit the min of the lines Oven bearing could make I little I £9m than the pencilled by some analysts. However, positive talk line in the rumours that AB Foods was interested in buying some we the food businesses of Allied Lyons. Last week, Dalgety was said to have been telling analysts of Interest during a manual visit. Dalgety shares were steady at 458p. Allied slipped 3

Royal Bank of Scotland escape Wall Street-led hadin in the market, with Credit Lyonnais Laing said in have been behind some support for the Scottish bank. RBOS shares settled 8 higher at 404p after turnover of 3.9m

Caradon, the building materials company, jumped to 380p early in the session, on buying stimulated by a Kleinwort Senson buy herensmentshan before alipping back to close a met 7 higher at 372p. driven sharply higher in sessions by a strong oil price a firm Wall arms turned easier yesterday **W** US tors took fright at the prospect higher domestic interest rates. broking houses had much more make view of the oil stocks after their recent

20.00

The majors the brunt of some hefty selling, which mostly minimise from New York, with at Shell 3

Clyde Petroleum, marginally higher at 35p, confirmed unit ket suspicions that US fund management group Fidelity was the recent big seller of a three and a half per cent stake in Mi mun

Dealers became increasingly bullish about the market debut S Amou (Sallinhin into afternoon and the probable impact the flotation will have un Lonrho, the UK conglomerate which will retain a 43 per cent in Ashanti.

Talk late yesterday suggested an Ashanti dan will commence trading around \$20 m share. Longho closed 444 higher at lang after annual a n m

A HARMINGHAMING From Hoars Govett helped Waksbourne, the support company, jump 🖷 📺 📬

MARKET REPORTERS Peter John, Chris Price, Christina Ruckley Steve Thompson.

Oil shares, which have been

Other Page 29

children clothes business, **FUTURES AND OPTIONS TRADING**

Arbitrageurs enjoyed huge scope for manoeuvre yesterday in equity derivatives To have been with the June FT-SE 🔙 化甲基苯酚酚 flinging itself from

strength in frailty, Chinama Buckley n The contract began confidently as markets focused on hopes for a UK I want in

F7-58 100 INDEX FUTURES (UFFS) \$25 per full index point Open Sett trice Change High Eat, vol. Open int. · Low 3195.0 3138.0 49.0 3204.0 3132.0 18879 54488 # FT-88 MID 260 INDEX FUTURES (LIFFE) \$10 per full index point MATIA 3800.0 3855.0 3800.0 315 III FT-SE MID 260 INDEX FUTURES (OML/G \$10 per full index point Jun - 3797.5 - - - All open interest figures are for previous day, † Exact volume shows.

PT-BE 100 INDEX OPTION (LIPPS) ("3143) 210 per full index point

1000 000 000 The state of the s ್ಷ-೧೯೬೫ ಅನ್ನ Star Grant - (청 등 물의 EURO STYLE PT-SE 100 INDEX OPTION (LIFFE) 210 per tul index point

2978 3028 2078 3125 2 3225 3278 3285 178½ 14½ 138½ 25 100½ 38 68½ 27½ 48½ 18½ 27½ 14½ 18 152½ 5½ 125½ 180½ 28 154 42 121 58½ 22½ 79½ 11 105½ 40½ 138 38½ 170½ 2 205½ 121 114½ 98 112½ 180½ 121½ 112½ 112½ 112½ 112½ 112½ 180½ 142 186 105 253½ 148½ 182 148½ 142 186 105 253½ 1000 M EURO STYLE FT-SE MED 250 INDEX OPTION (OMLX) 210 per full index point

3780 3000 3880 3000 Mills May 88 471₂ 741₂ 691₂ 821₂ 991₂ Jun 1721₂ 101 111 78 1221₂ Calls 0 Puts 0 Sattlement prices and valuates are linked at 4.30px.

FE - SE Actuaries Share Indices

cut bull was pushed into a ball spin by the UE Fed's hike in interest which came just over an hour before trading m Liffe closed.

> Relatively low volume pumped up volatility with sellers swinging the market more than they have done in a more liquid state. At one stage, quotes on the contract were moving so rapidly **a** fast market was declared - meaning that trading can continue but that quoted prices are not firm. In such rare periods the exchange does not operate its usual responsibility via the clearing house.

The contract moved through nearly 60 points and climbing to an intraday high of 3,191 early in the session to languishing around the 3,132 mark just before close and at a discount to the cast market of several points. It edged up to 3,138 at the official with a little over 12.000 contracts traded.

30	د 170	102 100	80% 1	37 89's 1	66 ¹ 2 45 ¹ 2 2	914	to an k	ntraday	hlah	of 3.1	191	Castopi)	- 5	-	-17
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- r	Let d	18.7%	100	92	1119	240	langula	ining ar	round	the 3	,132	Cathury Schweppent Cafor Group	3,700 1,600	477	-
गा	ION (L)	FFE) £10	per tuli	Index po	int			at befo					1,000	312	3
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	12014				3 31Q2,31 8 16Q5,71		2.08 3.97	E 10	25.33	25.31	1000.80	Record Refer Reycot Ryl Bit Sections	2,600	484	-144
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LONDON EQUITIES RISES AND FALLS YESTERDAY LIFFE EQUITY OPTIONS

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Figures in brackets show number of companies. Bests US.
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Latest prices were uninquisible by the ecidion.

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1	N		10pm	2 ¹ 2pm	Persinymon	51 ₂ pm	
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- LIGHT-LIPL		12 E-4	UIII					
	Apr 18	Apr 15	Apr 14	Apr 13	Apr 12	Yr ago	High	
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32 Spirits, Wines & Ciders(10)
33 Food Menufacturers(23)
34 Household Goods(13)
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60 UTRLITIES(36) 62 Electricity(17)

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74 Life Assurance(6)

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Fed raises rates again

The dollar finished higher on foreign exchanges yesterday after the US Federal Reserve surprised markets with a further tightening of monetary policy, writes Philip Gawith. The extent of the move was

not announced, but is assumed to involve the federal funds rate rising by 25 basis points to per cent, the third such increase since early February when the Fed started tightening credit policy.

The Fed's announcement came against the background kets struggled to find direction. The dollar rose on the news by more than a pfennig to a high of DM1.7220, but closed lower in London at DM1.7202.

Elsewhere, in Europe were focusing on the outlook for the weekly German repo auction today to see by how far rates fall after last week's cut in official rates.

■ The Fed caught the market ers expecting the next policy move to come after the May 17 meeting of the policy-making Federal Open Market Committee (FOMC). The Fed last tight-

Analysts said the change confirms that the Fed is acting pre-emptively to combat the of future inflation. The consumer price index rose by only 2.5 per cent in the year to

Mr Steve Hannah, head control at IBJ International, said the timing confirmed, as did the March tightening, that the fed was "not reacting to any particular figures." Industrial production and capacity utilisation figures released last week showed no urgent need for tighter credit. Mr Steve Hannah, head

for tighter credit. The IBJ analyst said the Fed interest rates, "moving them to a level that is more appropriate for this advanced stage in the economic cycle." He believes the Fed tightening has "a lot further to go", with nominal short-term rates rising to 6-6.5 per cent from 3% per cent now.
"We have only just started this
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Mr Gerry Holtham, chief international economist at Lehman Brothers, said the market

EXCHANGE CROSS RATES

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was anticipating short-term rates over I per cent by the end of the year. This level was "in the market" and hence the dollar was unlikely to rise on Fed moves unless they were so large, or early, as to "push up a end expectations."

Yesterday the futures mar-

ket was discounting year-end rates of about 5.8 per cent. Mr Michael Burke, economist at Cities, said this was "more than a little aggressive" about what the Fed was likely to do. He predicts . .

But with the and anticlpating US rates rising above in U third quarter, Mr 1 ma There must be a big suspicion that we're close to the top end of the dollar's range."

results of today's weekly repo auction in Germany will be keenly watched for any indication that the pace of US tightening is slowrates fall. Yesterday Mr Edgar Meistner, Bundesbank board member, said in a speech that German rates would continue

The slow pace of Bundes-bank easing has been cited by some observers as a reason for dollar weakness. Indeed, Lah-mus Mr Holtham argus that the fate of the dollar lies more in the hands of the Bundesbank than the Fed.

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Market forecasts

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WOR INTEREST RATES

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15 basis point fall in the rep rate, from 5.7 per cent. Cal money rates eased to 5.50/5.60 per cent from 5.55/5.65 per cent on Friday. Traders predicted that with ample liquidity in the system, banks might be prepared to risk lowering their

In the futures market, the June euromark contract closes unchanged at 94.66 and the December contract was

The D-Mark had a mixed da in Europe. It was marginally stronger against the French franc, at FFr3.422 from FFr3.421. It was weaker against the Italian lira, which closed at 1.954.5 from 1.956. The Italian currency was bolstered by weekend political develop ments which favour the forma tion of mew government.

Sterling finished half a pfen nig up against the D-Mark, closing DM2.5288 from DM2.5233. The UK currency was helped by the stronger dollar. It closed slightly down against the US currency at \$1,4701 from \$1,4735.

Sentiment about a rate cut buoyed by good inflation data Friday - soured after the Fed tightening. The June sterling future contract closed at 94.71, down from 94.73 on Friday and off a high for the day

IBJ's Mr Hannah said the US move complicated UK mone-tany policy. With the US hav-ing lifted rates, despite "excel-lent" inflation figures, tt was clear that Friday's good retail inflation figure in the UK was "by no means a sufficient confor cutting rates in the

Mr Holtham said fears about the political might dampen any government enthusiasm for an early easing of policy. In the money mar-kets the Bank of England provided £971m of assistance after forecasting a £950m shortage.

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Malayala	(MS)	3.9559		536 - 580		3.9500	-			-	-		-
New Zealand				927 - 968	LANGE		2,5977	-1.3	2,602	-1.1	2,6108	-0.5	•
Philippines	(Pesc)	40.4999		725 - 273	40.9240		-		. =	-	, ~		-
		5.5130		118 - 142			•	-	•	-	-	~.	
		4.00		899 - 922		2.2899	•	-				•	
Africa (Con				785 - 857		5.3306	•			ι-		-	-
6 Atrica (Fin.)				487 - 681		7.7755	- :	-	7	. ,-	, -		-
South Kores	(Wan)	Darre	-3.67	789 - 933	1193.71	1787.89	-	-			-	•	_

DOLLAR	SPO	JT FC程	114-0	AGAINS	THEL	JULLA	Fi						
lpr 18		mid-point	on day	spread	Day's high	smick low	One mo	nth %PA	Three and Flate	entha 96PA	One y		J.P Morge
шоре											- 1		•
ustrie.			+0,0805	_		12.0240	12.117	-2.0	12.144	-1.6	12.1552		102.5
eigium	(BP)	0.00		860 - 🐃	35.4150		36.482	-2.1	35.56	-1.6	35.676	-	949
enmerk.	(DKI)	6.7425		410 ~	6.7448	6.7001	6.7585	-2.8	6.783	-2.4	6.8258		100
	(FM)	5.5247		197 -	5.5297	5.4918	5,5314	-14	5.5392	-1.0	5.5509		76.9
TENCE	(H)	5.8873	+0.0298	860 - 895	5.8895	5.8515	5.899	-24	5,9163	-20	6.9318		103.5
emeny		1.7202		199 - 205	-1.7205		1.723 255.2	-20	1.727		1.7258		103.9
reace	(Dr)	-		700 - 100	262,100			-15,7	262.65	-17.1	290.15 1.404		
reland	(6)	-		230 - 250	1.4345		1,4212	24	1.416				
	먧	OF 4000		150 -		1625.00	1647.55	-4.1	1657.5	-3.5	10014		103.5
mampaurg		35.4000		850 - 160	35,4150		35.462	-21	700	-1.8 -1.3	1,9342		103.3
	(F)	1.9299	+0.0071		7.4540		1,9326 7,4652	-1.7 -2.1	1	-1.3	7.6275		103.2
_	=	7.4525 175.176		610 - 540 100 - 250		7,4109			Marin	-7.8	183,925		-
_	Pin	140.420		370 - 470		139.370	140.935	-10.0	141.77	-3.8	100.022	-2.7	80.3
	SKI			230 - 330	Inferio	1QB,OIQ	7.953	-3.6	7.9957	-8.4	8.119		82.0
waden		7,9280	+0.0045			170	1.4594	-0.5	1.4589	.00	1.4443		
witzerland	(SFT)	1,4590			4.47700	1	1.4884	·· 1.4	1,4503	1.1	1.4629		
R.		1.4701	-0.0034	B96 - 708	1,4770		1.4059	14	1	. 141	1,7023		
ou DR	_	1,30003		112	1,1917	1.000	1000	- **	Section 1		1.11600		•
um sperioes	_	1.39099	_	-	-	-	-			-			
	Pesci	1,0001	+0.0001	000 - 1991	1 0001	0.9999		_	_				
rgentine (razi		1126.08	+21.22		1126.09		_	-		-	•		
(32)	(C1	1.3880		877 - 862	1.3882	1.3835	1.3902	-1.9	100	-1.7	1,409	-	. 85.4
New	COS	1.3000		632 - 662	3.3882	3.3632	5.3867	-0.4	3,3685	-0.8	1,76,00	- 20	. 697
NA.	ready.		+0.0012	935 - 605	يساحب	4.0002	0.0001	-0.4	0.0000				700
acific/Middle	House,		_	-	-	_	-	-	-	-			-
ustralia	(AS)	1.3338	-0.0448	333 - PIS		100	Lates	-1.1	1641	-1.7	100	-12	-68.7
	P P P		+0.0004	262 - 272	1718	0.75	7.7297	-0.5	7.7357	-0.5	7,7804		
long Kong		21,3700	+0.0037		31,3726		31,435	-0.5	31.57	-0.6	11/00/1	-4.4	
	(Fig)	103,626	-0.02	600 - 460	103.670		103.5	1.4	103.17	1.8	101.9	2.5	149.
ngan Islayala	m	2.8910		900 - 220	2	2.6880	104.5	10	193.17	3.3	2.731		1460
ew Zeeland	(MS)	1.7951	+0.0088	640 - 682	1/5	1.7544	1.7683	-08	1,7708	-1.3	1.7927	-1.6	
		27,5500		000 - 000	27 FWID			-0.0	1.7700	-1,0	1.7 9467	-1.9	
hilippines	٠		-	500 - 504	10.000	3.7500	-	_			0.70/7	-04	
audi Arabia	(SF)	Access to	0.0000	4-4			-	-02	Liver	-08	3.7847	_,	. :
Ingapore	-	1.4	-0.0025	580 - 590	2.000	1.5580	1,000	0.5		0.5	1,596		
Africa (Corn.)	- 85	94400	+0.02	580 - 830	3,6895	3,6350	3,677	-54	E 400	-44	0.799	-3.7	
Person of the		U.M.00	-0.05	400 - 500	5,4100	5,2830	5.379	-7.5	5.439	-7.0			
		608.550	-0.6	200 - 900	809.300		811,00	-4.5	. 815.06	-93	100	-3,1	
	100	25.3800		800 - 800	26.3800		28.4455	-80	26.546	-2.5			
	600	25.2600	-0.015	500 - 700	25,2700	Z.2500	25,34	-8.8	25,485	-8.2	25,968	-29	

EMS EU				IT RATE		'
Apr 10	Nou cen.	Pete against Ecu	Change on day	COL TES	7	Div.
Ireland	0.808828	ALC: NO	-0.000178	-2.26	4.78	15
Notherlands	**	217292	+0.00062	-1.06	3.51	-
Belgken	40.2125	39,8386	10 Y	1.0	3.35	. 7:
Later Co.	1,94964		+0.00038	_i∵ –0.71	_ 3.13	i. • i.
			+0.00228	1.82	1.06	-11
Desurerk	7.43679		- O	100	0.20	-14
Portugel	192.854	100	-0.406	2.28	0.13	-15 .
	164,250	157,940			0.00	-17
NON EM ME	34BE79					
Greece	264.513		-0.089	7.18	-4.44	-
_			100	3.00	-0.59	-
UK	0.786748	0.787550	-0.000208	100.00	1.0	-
BOU COMMENT PROPER	set by the Burn	open Complete	OIL Cutronales	are in descendi	g relativé ety	inglik. '
Percentage chan	ges are for Hou	a positive ches	go ciamoted is v	week currency. O	iverponce sho	1440 E10
relio between two	o apresdir the p	recording one	erica cutilidan	me accult many	K MICO GELL CAL L'As charlest mi	n form de.
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(17/ 6/12) \$ 14/6 /17)	and Italian Line	empended from	n STAL Adjusts	nert calculated (ay the Anunci	d Times.
E PHILADEL	PHIA 811 S/1	OPTIONS	31,250 (cent	e per pound)	•	
		CALLS			UTS -	
Price	May	Jun	Jul	May	Jun	And .
ruij	-	UGII		total and a second	Section 2	-

CALLS			-	PUTS -		
Price	May	Jun	Jul	May	Jun	Jul
1,400	7.39	7.38	7.53	-	0.09	0.36
1.425	4.95	6.15	6.80	0.02	0.35	0.83
1.490 1.478		3.23	3.76 2.42	0.20	0.92 1.93	1.57 2.81
		1,80				
1.500	0.21	0.87	1,45	275	3.43	4,10
1.626	0.03	0.35	0.79	4.87	5.40	5.03
UK INTER						-
UK INTER LONDON R Apr 18		RATES	One month	Times months	Stx months	One

oent from Fei 1 1-3 1 month 4 Est. vol Open int.

99258 78221 CALLS Sep 0.23 0.13 0.05 PUTS Sep 0.27 0.42 0.60 Jun 0.24 038 0.02

BASE LENDING RATES Adem & Company ... 5.25
Alled Trust Baris ... 5.25
Better Baris Limited ... 6.25
Baris of Baroda ... 5.25
Baris of Iredand ... 5.25
B

LONDON TRADITIONAL OPTIONS. April 18 First Dealings 5/4 , Last Dealings 15/4 , Last Declarations 14/7 . For settlement 25/7

We cannot give you one reason why you should trade futures at Lind-Waldock...

FINANCIAL TIMES TUESDAY APRIL 19 1994

MONEY MARKET

Money Market

Money Market

Bank Accounts

4.75 5.00

Trust Funds

But we have managed to narrow it down to 7.

to execute your order said confirm, your fill in one telephone call. Heavy two-chiefs of our continuent nate our fill quality as "better" or much better" than other fients where they're traded.

ters 1450,000,000 in customer deposits.

Trading support. You get a full range of trading information and support—free charts, newalthers, telephone "butlines," and more.

Commissions. 522 or \$36 per round turn, including clearing form, even for study-lot orders. You'll safe 50-705 over the nates charged by full-price firms. 50-705 over the name.
50-705 over the name.
24-hour service. You can place an order, got a quote, or get information over account 24 hours every

Service "extras," His contary conversion at institutional rules and call free lines.

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3686

0800-262-472 (ULC) Belghan: 078-118444 Genausy: 0130-818100 February having barobes disk, including the risk of bases greater than the odgest investment and con-many sink. It is not, Therefore, suitable for everyone.

HORLO'S LIGHTEST RETURES EXECUTES PROF - NEWERLESTA - CRICKED - LONGON - MENTYCHIK LIND-WALDOCK COMPANY



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Manhattan-Windsor Steward St., Birmingham B18 7AF, England, Fax; 021-454 1497

+/- High Law

SOUTH AFRICA (Apr 18 / Rand)

ASSCA 7.10 + 10 9 6.70 0.1
ASSCA 7.10 - 22 17.50 2.4
ASSCA 7.10 - 22 17.50 2.4
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STOCK MARKETS ### 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 8 / Sch) 10-red | 1,222 | 1,976 | 9,420 | 1,225 | 9,420 | 1,225 | 9,420 | 1,225 | 9,420 | 1,225 | 9,420 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 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Dow in steep decline as Fed tightens

Wall Street

US stocks followed the bond market in steep decline yesterday morning on the announcement of a further tightening of monetary policy, writes Frank McGurty in New York.

By 1 pm, the Dow Jones Industrial Average was 36.29 lower at 3,625.18, while the more broadly based Standard & Poor's 500 was down 3.47 at 442.71. Declining issues overwhelmed advances, 1,545 to 571 in brisk trading.

In the secondary markets, the American SE composite dropped 3.71 to 434.58, and the Nasdaq composite 6.06 to

The market was jolted into life by the 10 am announcement by the Federal Reserve that it would "increase slightly" pressure on the banking system's reserve positions.

The action is expected to result in a small boost in the overnight inter-bank lending rate, the third increase since the Fed warned of a shift to more "neutral" credit conditions in early February. As in the past, the move triggered a sharp response in the US Treasury market, where the benchmark 30-year government bond led the yield curve in hasty

Blue chips immediately plunged 45 points on the news, with other market indices showing similar levels of decline. But as bonds began to firm near midday, share prices reversed course and began to recover some lost ground.

Cyclical stocks, which shot up in the weeks before the Fed's initial policy move, con-tinued to suffer the most. Alcoz gave back \$1 to \$48, Genaral Motors lost \$1 to \$57% and Allied Signal dropped \$1% to

General Electric was marked down \$1% to \$95%. The company announced at the weekend a \$350m charge against first-quarter earnings after uncovering a fraudulent tradbody brokerage subsidiary.

A decision by Banc One Columbus to raise its prime lending rate by 50 basis points to 6.75 per cent had little impact on the banking stocks. By early afternoon, it was uncertain if any of the country's biggest lenders would match the increase. Shares in the bank's parent, Banc One, slipped \$\% to \$34\%.

Digital Equipment, down \$1% at \$21%, continued to feel the impact of its disappointing first-quarter performance. It topped the NYSE's most active list after Smith Barney Shearson downgraded the stock.

Canada

Toronto stocks continued to slide at midday as interest rate worries affected sentiment.

The TSE-300 composite index was down 39.4 at 4,200.6 in volume of 29.4m shares valued at C\$303m. Declines led advances 398 to 193 with 269 issues

All 14 sub-sectors posted losses at midday, led by pre-cious metals which plunged 263.26 to 9,387.80.

São Paulo turned lower in midday trading after the announcement from the US Federal Reserve. The Bovespa index was off 320 at 14,114 by

Midday volume Crz808.8bn (\$727.1m).

SOUTH AFRICA Industrials edged higher as trilateral talks took place between the government, the ANC and the Inkatha Freedom

party. The overall index lost 7 to 4,961, industrials shed 25 to 5,756 and the gold index added 4 to 1,945. Lonrho improved 25 cents to R12, Angles slipped R2.50 to R208.50 and SAB put

Fed blunts enthusiasm in Frankfurt and Paris

Early in the day, Frankfurt lier this year: "We only needed and Paris were climbing on the one more friendly day," said rise of the cyclicals, and inter-

est rate hopes respectively. However, their enthusiasm weakened after the US Federal Reserve indicated another rise in short term interest rates,urites Our Morkets Stoff.

FRANKFURT was having a good day before the Fed interfered. The Dax index rose 28.36 to 2,228.78 with cyclicals driving the market higher in spite of a mixed performance in banks. It peaked at 2,234.20 in the post bourse before the US rate increase brought it back to end the afternoon at an Ibisindicated 2,218.37.

This compared with an all-time Dax high of 2,284.18 last year. Mr Edgar Benischeck, head of trading at Bank Julius Bär in Frankfurt, noted that the climb in cyclicals carmakers, chemicals, engi-neering and steels - had brought the broad market even

closer to its highs. Turnover had risen from DM10.5bn to DM11.9bn. The FAZ index, up 9.74 at 846.88 by finally closed 0.47 ahead at sion, was just 8.79 short of the life high it touched ear-

Mr Benischeck, ruefully.

As it was, interest-rate sensitive and volatile stocks were marked down in the afternoon: Deutsche Bank lost DM4 from a close of DM778.50, already down DM1 on a day still overshadowed by the Jürgen Schneider affair and Volkswagen ended at DM538 after DM545 in the afternoon and a session rise of DM20 to

With Daimler, the general problem was compounded by an S&P debt rating downgrade which left the shares at DM879, up just DM4.50, after a high of DM895. PARIS moved sharply from a

high of 2,188 during early trad-

DM539.50

ing as hopes remained that the Bank of France might cut domestic rates following the Bundesbank easing last week. The market was dragged down the Fed's interest rate signal, hitting a session low of 2,155.58 before reaching positive territory again just prior to the close. The CAC-40 index

THE EUROPEAN SERIES Open 10.30 11.00 12.00 13.00 14.00 15.00 Class Housiy changes FT-SE Eurotrack 100 1482.02 1480.57 1480.58 1479.17 1478.23 1473.08 1472.50 1470.56 FT-SE Eurotrack 200 1500.00 1487.90 1487.89 1487.47 1487.02 1494.24 1495.21 1482.35 Apr 15 Apr 14 Apr 13 Apr 12 Apr 11 1500.98

some other brokers, issued an overweight recommendation on France, arguing that investors will move from the interest rate story to focus on corporate earnings growth: "While we consider that cash calls will continue to weigh on the market over the next quarter, and in the short-term, potentially push it lower than current levels, we expect the outlook on the earnings front to continue

Bern 1880 (287) (180); HuthWalt: 100 - 1482.04; 200 -

improving," it said. Given that many French companies are already well on the way to completing their restructuring programmes, the broker added, there are good expectations for growth this year. "Already in the first

1500:00 London: 109 - 1457.71 200 - 1490.57 James Capel, in contrast to marked slowdown in the underperformance of France relative to Europe, an indication perhaps that investor sen-timent is already turning".

AMSTERDAM fell back sharply following the news. from the US. The AEX index, which had earlier seen a session high of 428.43, finished the day off 3.69 at 421.43. The financial sector took the brunt of the losses, with ING shedding F13.00 to F181.50 and

However, there were some positive moves during the session, with Nedlloyd, in particular finding favour ahead of 1993 results expected on Thursday. The shipping group's shares rose F1130 to F176.20,

ABN-Amro losing Fl 2.00 to

5.25 per cent. Analysts are forecasting that the group will show a return to profit, and expect earnings growth over the next few years.

MADRID needed no transatlantic encouragement to subside on the day. The general index dropped 8.06, or 2.5 per cent to 310.80, but Mr Stephen Hughes at Kleinwort Benson discounted any Fed effect, saying that the market was quite depressed enough by domestic

The scandal surrounding the financial dealings of Mr Mariano Rubio, former governor of the Bank of Spain, meant that the Spanish prime minister, Mr Felipe Gonzalez, can be expected to face trenchant criticism today when he delivers his annual State of the Nation speech in parliament. Mr Gonzalez has denied he has any intentions of ending his 11-year stint in power.

MILAN stumbled 2.3 per cent lower on profit-taking after the 15.4 per cent advance which followed the general election three weeks ago. The Comit index fell 18.72 to 781.60.

Turnover dipped after the records set last week as domestic funds, awaiting lower prices, held back from trading. Industrials, which have powered the market higher, were among the hardest hit. Pirelli fell L131 or 4.2 per cent to L2.956, Montedison lost L60 or 4 per cent to LI,447 and Flat

was L233 or 3.6 per cent lower at L6,336. The same pattern was seen among the telecommunications stocks. Sip fell L110 or 22 per cent to L4,851 and Stet L234 or

3.8 per cent to L5,852. ZURICH was closed but the SMI index fell 3.8 to 2,869.1. reflecting trading in Basic and Geneva Sandoz registered fell SFr5 to SFr3,870 and Cha lost SFr11 to SFr933 in response to first quarter sales figures

announced earlier in the day. HELSINKI was lower in response to higher bond yields and weighed down, in addition. by the number of new issues announced recently. The Hex index fell 18.0 to 1,817.4

Written and edited by William Cochrane, John Pitt and Michael

Nikkei 225 builds on gains in a strong Pacific Basin

Active buying of large capital stocks by foreign investors yesterday outweighed small lot selling by domestic institutions and companies, writes Emiko Teruzono in Tokyo.

The Nikkei 225 index rose

112.73 to 20,277.36 after a low of 20,222.44 and a high of 20,494.60. It rose in the morning on index linked buying by arbitrageurs and purchases by foreign investors, but afternoon profit-taking eroded some of the gains.

Traders said that investors were turning their attention away from the political situation, as it seemed likely that Mr Tsutomu Hata, the foreign minister, would be named

Mr Yasuo Ueki at Nikko Securities said that the Nikkei would move between 20,000 and 21,000. Although the down-

side was limited, he said, due to buying by foreign and some domestic institutional inves tors, companies facing a high yen would continue to sell into strength.

Volume was 388m shares against 423m. The Topix index of all first section stocks rose 8.12 to 1,643.24 and the Nikkei 300 gained 1.48 to 300.91. Advances led declines by 626 to 374 with 174 unchanged and, in London, the ISE/Nikkei 50 index rose 2.12 to 1,344.17.

Large capital steels were traded actively. Kawasaki Steel, the most active issue of the day, rose Y10 to Y385 and Nippon Steel gained Y10 to Y360. Shipbuilders were also higher, with Mitsuhishi Heavy Industries up Y11 to Y691. In spite of the rise in the yen

against the dollar, blue chip high-technology stocks were also bought, with Hitachi up Y8 to Y986 and Toshiba gain-

Construction stocks and nonlife insurance companies regarded as laggards, attracted foreign buyers. Obayashi added Y15 to Y697, Kumagai Gumi Y10 to Y499 and Mitsui Marine and Fire Y18 to Y859.

Oil stocks, firm previously on hopes of a rise in demand due to an economic rebound retreated. Telkoku Oil declined Y19 to Y730 and Showa Shell Sekiyu by Y20 to Y1,410. In Osaka, the OSE average rose 124.76 to 22,599.96 in vol

ume of 24.5m shares. The index

rose for the fourth consecutive day on small lot buying. Roundup

The region's markets saw some big gains continuing, although turnover was generally moder-

BANGKOK continued its strong advance adding a further 2.4 per cent as foreign investors returned to the mar-

ket. The SET index added 30.17 to 1,312.33 as turnover rose to Bt9.3bn from Friday's Bt6.3bn. 29.22 to 9,506.84, but off the SINGAPORE gained more than 1 per cent in low volume on interest in blue chip stocks. The Straits Times Industrial index gained 26.89 to 2,239.07

er & Neave up 70 cents to S\$18.80 and Keppel, up 40 cents to S\$10.80 accounted for most of the day's volume.

MANILA saw its fourth successive rise following PLDT's \$3 gain in New York on Friday.

with 198m shares traded. Fras-

The composite index added 49.59 to 2,819.01. PLDT advanced nearly 3 per cent to 1,790 pesos.

Turnover fell to 966.5m pesos from Friday's 1.14bn pesos. HONG KONG was active in HSBC following newspaper articles over the weekend alleging that the treasury divi-sion of its UK subsidiary, Mid-land Benk, had lost substantial

amounts of money in the bond

markets this year. Midland has denied the claims. The Hang Seng index eased

day's low of 9,415.53. Turnover shrank to HK\$2.65bn from Friday's HK\$3.55bn. HSBC lost HK\$1.50 to HK\$90.50, and in London trading fell 1.8 per cent. TAIWAN was helped higher

by financial stocks which pushed the weighted index up 104.32 or 1.9 per cent to 5.690.13. Turnover was T\$51.1bn against Saturday's T\$56.8hn The major banks, which

went ex-rights on Saturday. ended moderately higher: Chang Hwa rose T\$4 to T\$151, and First Commercial and Hua Nan both rose T\$3 to T\$162 and

T\$168 respectively.
KUALA LUMPUR rose in light trading on expectations of an early general election. The composite index climbed 16.60 or L6 per cent to 1.050.26.

SECTION failed to maintain early strength on profit taking after four days of gains and the composite stock index shed 1.61 to 892.15. Volume was thin 25.3m shares.

AUSTRALIA was driven higher by a futures drivent rally and the All Ordinaries index added 15.3 to 2,095.9, but off a session high of 2,103.6 Turnover was modest at A\$317m. BOMBAY fell back with many investors awaiting today's results from Reliance Industries, the country's biggest private company. Analysis expected it to show a 55 per cent rise in net profit:

The BSE index lost 34.26 to 3.860.92. CHINA opened the week

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slowly following a rally of nearly 5 per cent during th previous two sessions. The Standard Chartered Shangha B index rose 0.29 to 53.37, while the Shenzhen B index added 0.21 to 65.06.

Tokyo funds give boost to region

By Michael Morgan

sian markets, largely neglected after the surge to their January caks, returned to focus last recorded in Kuala Lumpur and

The advance resulted from renewed demand from Japanese funds for some of the regional markets. Tokyo, itself, displayed some nerves at the start of last week following the resignation of Mr Morihiro Hosokawa as prime minister, although the outward looking strategy adopted by investors had more to do with the launch of fresh investment initiatives at the

start of a new financial year. Tokyo has risen by almost 20 per cent this year while other regional markets, which have begun to look attractive once again, have fallen by around the same amount. Malaysia was the week's big-

gest winner although the dvance did not quite make up for declines seen in the previous four weeks. It is also still 21 per cent short of its high for the year seen on Jan-In its weekly review, For-

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines

Austria (17)

France (98) .

Italy (60%.

Netherland (26

orway (23)

USA (520)

FUROPE (724).....

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Euro-Pacific (1474)

North America (626). Europe Ex. UK (519).

Pacific Ex. Japan (281) ____250,41 World Ex. US (1656) _____167.13 World Ex. UK (1973) _____168.92 World Ex. So. Al. (2118) ____170.75

The World Index (2176) 170.94

Singapore (44).... South Africa (60)

FT-ACTUARIES WORLD INDICES

169.89

.146.93

.171 48

202.57

214.42

212.19

161.07

.181.63

..167.82 ..204.02

166.82

151.09

Change %

170.94

249.52 147.83

172.53 138 30 395.57 188.55

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162.06 105.52 143.39 145.24 193.01 125.68 170.78 193.01 182.74 118.99 161.65 181.63

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Copyright, The Financial Times Limesd, Goldman, Saichs and Co., and HeriWest Securities Limited, 1987 Consultinguest elements with offset 1984584: DataBoris: Grunnian Com., USAS and OFSE, Kjouch Alacci, Lubest prices were und

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eign & Colonial notes that Kuala Lumpur moved up strongly at the beginning of the week as a result of increased foreign participation. F & C adds that Japanese investment in Malaysia the last three years, although Tokyo remains the market's biggest investor, with part of the reason for the decline being the shift of funds

towards China and Indochina. Singapore, which registered an 18 per cent decline from its peak early in January to its low point on April, 4 was also the beneficiary early last week of renewed Japanese interest and some program buying by US investors. Malaysian shares traded

over the counter in Singapore also surged amid rumours of the possibility of a Malaysian general election being called In Europe, Italy registered the week's sharpest advance as post election euphoria con-

tinued. A surge of demand by individual domestic investors swamped the market's Telematic electronic system on Tuesday, bringing a halt to the After hurried consultations

by the Consob bourse authori- the week's remaining sessions,

Jointly compiled by The Financial Times Ltd., Goldman, Sechs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actualnes and the Foculty of Actualnes

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US

Dollar Index

249.36 147.68

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228.25 136.35 145.80 149.18

152.66 122.36 350.00 166.83

MARKETS IN PERSPECTIVE								
	% change in local convendy †				% change starting †	% change in USS†		
	? Week	4 Weeks	1 Year	Start of 1984	Start of 1994	Start of 1964		
Austria	+0.04	-4.89	+32.99	-4.40				
Belgium	+0.81	-1.70	+14.00	-1.10		+1.40		
Dermark	-2.36	-5.63	+26.82	-0.99				
Finland	+1.14	-1.24	+71.87	+13.43	+19.75	+19.26		
France	+1.87	-2.34	+12.99	-3.33	-2.16	-2.55		
Germeny	-0.33	+1.73	+26.92	-3.36		-1.99		
Ireland	+2.03	-1.77	+17.76	-0.36	+1.59	+1.18		
Italy	+4.04	+17.99	+56.33	+27.89	+34.29	+33.75		
Netherlands	+2.67	+2.44	+26.43	+0.72	+2.16	+1.74		
Norway	+1.94	-3.07	+36.01	+6.53		+7.89		
Spain	-2.31	-5.90	+27.42	-4.00		-1.82		
Sweden	-1.15	-1,96	+35,71	+2.67	+8.50	+8.06		
Switzerland	+0.06	+1.14	+34,33	-1.49	+0.98	+0.56		
UK	+1.56	-1.56	+13,44	-6.06	-6.07	-6,45		
EUROPE	+1.11	+0.09	+21.74	-2.06	-0.64	-1.03		
Australia	-0.15	-4.06	+17.77	-4.43	+2.22	÷1.61		
Hong Kong	+2.33	+5.14	+45.94	-19.67	-19.33	-19.65		
Japan	+1.21	-0.82	+3.22	+12.61	+21.76	+21.26		
Malaysia	+8.13	-0.17	+86.56	-19.64	-19.15	-19.46		
New Zealand	+0.08	-8.00	+33.04	-5.12	-3.14	-3.53		
Singapore	+5.15	+6.02	+37.70	-12.52	-9.47	-9.84		
Canada	-1,53	-6.59	+14.71	-1.31	-5.29	-5.58		
USA	-0.32	-5.28	-0.76	-4.36	-3.97	-4.36		
Mexico	-3.05	-7.54	+23.87	-14.33	-20.59	-20.92		
South Africa	+0.92	-5,47	+46.17	+0.94	-19.41	-19.74		
WORLD INDEX	+0.66	-2.30	+7.94	+0.10	+2.66	+2.24		
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ties, huge volumes of business with turnover surging were transacted during to a record L2,206bn on Thurs

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118 09 190.88 214.96 170.32 177.47 181.70 196.04 176.91 183.05

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ocietà Italiana per l'Esercizio

Registered Office in Turin
Share Capital Lire 5,465,485,228,000 fully paid-up
ared at the Court of Turin M 1991 FT Court Fiscal Code N. 00580600013

NOTICE OF MEETING FOR HOLDERS OF ORDINARY SHARES

Notice is hereby given to all ordinary shareholders that on 12 May 1994 at 9.30 a.m. an Ordinary and Extraordinary Shareholders' Meeting will take place in Turin at Sala Congressi in Via Bertola, 34 for the first call and, if necessary, there will be a second call for 19 May 1994, at the same time and place, to discuss and resolve the following

1) Reports by the Board of Directors and Statutory Auditors; the balance of the fiscal year ending 31 December 1993; relative resolutions;

2) Appointment of the Auditors to review and cartify the balance sheet for the three years 1994 through 1996; 3) Amendments of Articles 2, 3, 5, 7, 8, 9, 11, 13, 14, 15, 16, 17, 20, 21, 22, 24, 25, 28, 30, 31, 33, 34, of the Company By-Laws; Suppression of

Article 29 of the Company By-Laws; subsequent renumbering 4) Merger to incorporate into SIP - SOCIETA: ITALIANA PER L'ESERCIZIO DELLE TELECOMUNICAZIONI p.a. of the companies IRITEL: S.p.A., ITALICABLE - SERVIZI CABLOGRAFICI, RADIOTELEGRAFICI E RADIOELETTRICI - Società per Azioni, SOCIETA: ITALIANA RADIOMARITTIMA per Azioni (S.I.R.M.) and TELESPAZIO - Società per Azioni per le Comunicazioni Spaziali; increase of share capital for the merger; amendments of Articles 1 (Denomination). 4 (Object) and 5 (Capital) of the Company By-Laws, deriving from the merger; inherent and consequent resolutions and delegation of powers;

5) Resolutions according to Civil Code Article 2364, n. 2 and 3.

NOTICE OF SPECIAL MEETING FOR HOLDERS OF SAVINGS SHARES

Notice is hereby given to all shareholders of savings shares that on 13 May 1994 at 9.30 a.m. a special meeting will take place in Turin at Sata Congressi in Via Bertola, 34 for the first call and, if necessary, there will be a second call for 14 May 1994 and a third call for 20 May 1994, at the same time and place, to discuss and resolve, according to Article 1/16 of Italian law 7/6/1974 n. 216, the following AGENDA

Merger to incorporate into SIP - SOCIETA' ITALIANA PER L'ESERCIZIO DELLE TELECOMUNICAZIONI p.a. of the companies IRITEL S.p.A., ITALCABLE - SERVIZI CABLOGRAFICI, RADIOTELEGRAFICI E RADIOELETTRICI - Società per Azioni, SOCIETA' ITALIANA RADIO MARITTIMA per Azioni (S.I.R.M.) and TELESPAZIO - Società per Azioni per le Comunicazioni Spaziali, on the basis of the respective resolutions.

The meetings are open to all Shareholders who have deposited their share certificates, at least five days prior to the date of the meeting, at the company's registered office in Turin (Via San Dalmazzo, 15), at the Headquarters in Rome (Via Flaminia, 189) or at any authorized office or at Monte Titoli S.p.A. for the shares they administer. The notice of the meeting for holders of ordinary shares and that for holders of savings shares will be published according to law in the

The documentation regarding the Balance will be available to Shareholders starting 26 April at the offices in Turin (Via San Calmazzo, 15) and Rome (Via Flaminia, 189) and will be dispatched directly to those Shareholders who normally attend the meeting and to those who request them by phone in due time: Turin (011) 55141: Rome (06) 36881. Furthermore, from the morning of 9 May the above mentioned documentation can be collected in person from the above said offices in Turin and Rome.

The Company has complied with the laws regarding the advertising of the merger, subject of the aforesaid agenda, and will see to prepare an appropriate pamphlet containing the relative documentation. This pamphlet will be available to interested persons from 2 May at all the offices of the Consiglio di Borsa, at the authorized offices and at the above mentioned registered offices in Turin and Rome. The above mentioned certificates can also be deposited at the following authorized institute branches:

London: Banca Commerciale Italiana S.p.A. - 42, Gresham Street Credito Italiano S.p.A. - 17, Moorgate Banca di Roma S.p.A. - 37, Gresham Street

New York: Banca Commerciale Italiana S.p.A. - One William Street Credito Italiano S.p.A. - 375, Park Avenue Banca di Roma S.p.A. - 100, Wall Street

Paris: Banca Nazionale del Lavoro S.p.A. - 26, Avenue des Champs Elysées

- Frankfurt am Main: Istituto Bancario San Paolo di Torino S.p.A. - Eschersheimer Landstrasse, 55

 Zurich; Lavoro Bank A.G. - Talacker, 21 Buenos Aires: Banca Nazionale del Lavoro S.A. - Florida 40.

Rome, 11 April 1994

THE PRESIDENT

741 (A. U.)

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